On the basis of fundamentals and our valuation we initiate a HOLD recommendation for Graco Inc. ("Graco", "GGG" or "the Company"). We have established a one-year price target of $70, which implies a potential downside of 8.9% based on the Company’s closing price of $76.81 on 01/14/15. The price target was derived using Discounted Free Cash Flow to Firm method, which was also supported by EV/EBITDA and P/E valuation methods. Merits for our hold recommendation are based on expected foreign macroeconomic headwinds for the industries in which Graco operates and the Company’s relative strength within its peer group, which should lead to industry outperformance.

### Slowing Economic Growth in Key Foreign Markets
While the Company has experienced strong performance within the United States since 2008, Graco has shown weakening growth in international markets. Graco’s primary sources of revenue are influenced by the cyclical nature of industrial production and construction rates. The deceleration of growth in Western Europe, Japan, and China illustrate weakness in the international economy. 46% of GGG’s revenues are generated outside the United States. Graco may have difficulties generating strong revenue growth across all other geographic regions. In the Eurozone housing prices and construction output have not recovered to levels prior to 2008. Graco’s Contractor revenues in the Asia-Pacific region have been flat since 2011.

### Foreign Currency Effects
The U.S. Dollar Index ("DXY") appreciated 12.2% in 2014. The strong USD compared to other currencies in regions GGG operates could negatively affect revenue and earnings as Graco does not hedge foreign currency exposure. The strong dollar may also affect the Company’s exports.

### Domestic Acquisition Challenges
Regulations impact Graco in the Industrial and Contractor segment. The Federal Trade Commission ("FTC") instructed the Company to divest the Liquid Finishing business assets related to the Illinois Tool Works acquisition. In addition, GGG faced challenges related to the acquisitions of Gusmer Corp. and GlasCraft Inc. The characteristics of recent transactions may lead to less synergistic acquisitions in the future.

### Lower Demand from the Mining Industry
GGG’s Lubrication segment relies heavily on large mining customers to generate revenue. As commodity prices decline due to weakening demand, mining clients may require less of Graco’s products. Lack of profitability may also cause mines to shut down further impacting the Company.

### Valuation
The valuation used to determine our one-year price target for GGG was based on the Discounted Free Cash Flow to Firm method, resulting in a price target of $70.

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**Figure 1. GAAP EPS (USD)**

![GAAP EPS Chart](chart1.png)

**Figure 2. GGG Share Price**

![GGG Share Price Chart](chart2.png)
Business Description

Since 1926, Graco has been a leading provider of premium pumps and spray equipment for fluid handling in the construction, manufacturing, processing, and maintenance industries. Headquartered in Minneapolis, Minnesota, the Company works closely with distributors around the world to offer innovative products that are the standard for spray finishing, paint circulation, lubrication, sealant and adhesives dispensing, process application, and contractor power equipment.

Business Overview:

Industrial Segment

The Industrial segment is the largest and most profitable, generating approximately 58% of total revenue. Since 2008, revenue in this segment has almost doubled, growing at a 7% CAGR. In addition, Industrial operating earnings have contributed to 70% of total operating profits earned in the past 5 years and have grown at a 9% CAGR. Since 2009, the operating margin for this segment has ranged between 22-35%. Products from this segment are used for the manufacturing, maintenance, assembly, finishing, and repair of appliances, vehicles, airplanes, electronics, cabinets, and furniture. The Industrial segment is split into Industrial Products and Applied Fluid Technology. The Industrial Products division consists of process pumps and finishing products. Process pumps move food and fluids of various viscosities. Finishing equipment includes both Liquid and Powder finishing products. The Applied Fluid Technologies division consists of protective coatings and foam, and advanced fluid dispensing. Protective coatings and foam equipment is used to pump, meter, mix, and dispense high performance protective coatings and foam. Advanced fluid dispense products include equipment used to bond, mold, and seal in a wide variety of applications.

Contractor Segment

The Contractor segment is the second largest segment in terms of revenue and profitability, representing 32% of total revenue. Over the last five years revenue and operating earnings in this segment grew at a 5.1% and 8.9% CAGR. The Contractor segment contributed to 23% of total operating earnings over the past five years, with an operating margin range of 14-24%. This segment is divided into paint, texture, and pavement maintenance. Equipment consists of spray guns, hoses, filters, spare parts, and other accessories. Sprayers are used to apply paint to walls and structures, highly viscous coatings to roofs, texture to walls and ceilings, and markings on pavement, fields, and floors. The primary end users in this market are Residential and Non-residential construction (Figure 4).

Lubrication Segment

The Lubrication segment generates approximately 10% of GGG’s total revenue. Revenue and operating earnings grew at a 4% and 12% CAGR in this segment. Over the last five years operating margins stayed between 11-23%. This segment includes vehicle services and industrial lubrication. Graco sells these products to third party distributors and original equipment manufacturers. The vehicle services division supplies pumps, hose reels, meters, valves, and other accessories to the motor vehicle lubrication industry. End markets for the industrial lubrication products include gas transmission and petrochemical, pulp and paper, mining and construction, agricultural equipment, food and beverage, material handling, metal manufacturing, wind energy, and oil and gas exploration.

Acquisitions

Graco engages in acquisitions to target niche markets where management’s experience and Company processes can be applied. The Company recently closed 9 acquisitions. QED specializes in remediation pumps, groundwater sampling, and landfill gas equipment. EcoQuip operates in the coating removal and surface preparation industry. Alco Valves has exposure to the Oil and Natural Gas industries through high-pressure valves. Geoblaster Equipment Service & Sales, Ltd. manufactures wet abrasive blasting equipment for coating removal and surface preparation. Multimaq-Pistolas E Equipamentos Para Pintura Ltda manufactures and distributes finishing products for industries including metal, wood, and leather. The Company aims to grow revenues by 10% annually with 3-4% from inorganic sources.

Corporate Governance & Management Synopsis

Board - The Board of Directors meet five times per year. Directors serve for three-year terms, and one-third of the directors are elected each year by the shareholders. The staggered Board can lead to management entrenchment and negative implications for shareholders by limiting the ability to gain control of the Board. Graco’s management has historically been shareholder friendly through consistent dividends and share repurchase programs.

Audit Committee - The audit committee serves as an internal audit function and is overseen by the Board. The Company-wide compliance program is reviewed annually.

Compensation Committee - The compensation committee discloses compensation policies and ownership of management. Executive compensation is tied to Company performance, helping to align shareholder interest with management’s goals.

Other Committees include the Governance Committee and Management Organization.

Mr. Patrick J. McHale, Chief Executive Officer and President of Graco since June 2007 - McHale joined Graco in December 1989. McHale served as Vice President of Lubrication segment, from September 1999 to February 2000. From February 2000 to March 2001, McHale served as Vice President of the Contractor segment for Graco. McHale
served as Vice President of Manufacturing for Graco from March 2001 to June 2003. McHale served as Vice President and General Manager of the Lubrication segment of Graco from June 2003 to June 2007.

Mr. James A. Graner, Chief Financial Officer of Graco since September 2005 - James Graner joined Graco in 1974 and he has served as a Vice President and Controller of Graco since February 1994. Graner also served as the Company’s Principal Accounting Officer until September 2007. Graner served as the Treasurer of Graco from May 1993 to February 1994. Graner again served as Treasurer of Graco from September 2005 to June 2011. Graner will be retiring at the start of 2015.

Mr. Charles L. Rescorla, Vice President of Corporate Manufacturing, Development, and Distribution Operations of Graco since December 2013 - Rescorla served as Vice President, Manufacturing and Distribution Operations and Vice President, Information Systems of Graco since June 2003. Mr. Rescorla served as Vice President of Manufacturing & Distribution Operations at Graco from September 2005 to April 2009. Mr. Rescorla served as Vice President of Corporate Manufacturing, Information Systems, and Distribution Operations at Graco from April 2009 until December 2013.

Industry Overview and Competitive Positioning

Industrial Machinery Sub-Sector

Graco operates as a Mid-Cap corporation within the Diversified Industrial Machinery industry. We believe the S&P-400 Industrial Machinery index is a fair representation of the industry. The 14-member index is market cap weighted.

Fundamental Analysis

Graco and its peers in the Diversified Industrial Machinery index of the S&P-400 index are highly correlated to economic activity. Since 1995, the Diversified Industrial Machinery index’s weighted average revenue has a correlation of 0.94 to U.S. GDP. Revenue across the industry has led to a 2.6% CAGR over the last decade. Industry EBITDA grew at a 13% CAGR, and earnings grew at a 10% CAGR over the same period. However, industry earnings growth has not trickled down to investors, as the dividend has remained flat over the last decade. FCF decreased at a -2% CAGR over the same period, leading to an increase in debt financing across the industry, while Graco grew cash flows at a 9% CAGR.

Over the last decade, gross margins for the industry ranged from 28-33%, operating margins between 2-5%, and net margins from 1-8%. Cyclicality of the industry causes variability in net and operating margins. Return on Assets ("ROA") expanded by 64 basis points over the last decade. Return on Equity ("ROE") decreased 1% over the same time period. In comparison, Graco maintained gross margins between 49-56%, operating margins between 21-28% (with exception to 2008), and net margins of 7-19% over the same time period.

Graco does not have a direct peer comparison due to product diversity. In each of the Company’s business segments, there are peers which offer products that compete directly with GGG. Graco leads market share for the Industrial and Contractor equipment segments. The Company holds approximately 25%, 58%, and 9% of the Industrial, Contractor, and Lubrication Equipment market share, respectively. Key competitors include Idex Corp., Wagner SprayTech Corp., Nordson Corp., Dover Corp., and Colfax Corp. because of respective company size and product offerings. In the Industrial and Lubrication segment, Graco utilizes wholesale distributors. The Contractor segment distributes products through home centers and professional paint channels. Distributors promote, sell, and hold inventory, provide product application expertise and offer on-site service, technical support, and integration of equipment.

High Barriers to Entry

Entrance into the Diversified Industrial Machinery industry is difficult due to the capital-intensive nature. High startup costs, brand loyalty and recognition, patents, technology, manufacturing processes, economies of scale, access to suppliers and distribution channels, capital requirements, cost disadvantages, and marketing costs all create challenges for the survival of new industry participants.

Strategies and Initiatives:

New Product Development

Graco has been the industry leader in Research and Development. Product development is a key driver for growth within the Diversified Industrial Machinery industry. Management aims for new products developed in the last three years to account for 30% of revenue in a given year. The product development process can be broken up into three phases. Phase 0 entails engineering, modeling, testing, marketing, defining product specifications, value proposition, and ensuring products meet pressure and durability requirements. Phase 1 is focused on prototype development, capacity testing, and sending products to end users to gain feedback. Phase 2 involves building the production unit, verifying performance requirements are met, and training distributors.

Geographic Expansion

Entrance into new geographical markets is a key initiative for Graco. The firm currently has a 23 person sales team with a focus toward end-user conversion from brush and roller methods to power spray equipment, building brand recognition, and cultivating relationships with distributors in South America. Similar initiatives were taken in the Asia-Pacific and European markets. Since 1995, international revenues increased by 16%.

New Markets

Graco expands into markets where its expertise can be leveraged. The Industrial segment entered the packaging industry with the innovative InvisiPac Tank-Free Hot Melt system, designed for sealing cardboard cases and cartons. A new product was released in the Contractor segment to complement and expand the existing line of paint sprayed. The TrueCoat 360 allows Graco to tap into the do-it-yourself market, as the product retails for $199. Graco usually looks to enter new markets through the Industrial segment, the largest and most profitable.
Idex Corporation

41% of Idex’s revenues are generated from fluid and metering technologies, competing with Graco’s Industrial segment. Approximately 4% of Idex’s revenue growth in the fluid and metering segment is organic, compared to Graco’s 6%. Idex’s comparable products have a strong presence in the scientific fluids business, whereas Graco’s Industrial products are geared more towards machinery and manufacturing. Due to operational efficiencies, Graco has higher gross, operating, and net margins.

Wagner SprayTech Corporation

Wagner is a privately held company that develops and markets a wide array of painting and decorating products. Wagner offers sprayers that serve as a substitute to Graco’s line of paint sprayers. After speaking with a distributor, we learned Graco products have a reputation of superior quality. This distributor also mentioned Graco products are rarely returned, but the same could not be said about Wagner. Graco sprayers are marketed towards professional painters, whereas Wagner products are more suitable for retail customers.

Nordson Corporation

Nordson is a direct competitor to Graco in powder coating, liquid finishing, and adhesive dispensing systems. Nordson markets, sells, and distributes products directly to end users, resulting in higher gross margins. Nordson grew revenues at a five-year CAGR of 15.8%, while Graco grew revenues at a five-year CAGR of 6.2%. Due to superior cost management, Graco has higher operating and net margins.

Colfax Corporation

Colfax started as a specialty fluid handling and mechanical power transmission company, but grew into a multi-platform diversified industrial company servicing hundreds of industries. Colfax reshaped itself into a higher-growth, less cyclical enterprise through acquisitions and divestitures. In 2011, Colfax acquired Charter International, increasing revenues five-fold and drastically changing the business model. Colfax has the lowest profitability margins among the peer group.

Dover Corporation

Dover is a diversified global manufacturer with a focus on energy, engineered systems, fluid, and refrigeration and food equipment. Dover is targeting organic growth of 2% to 5% inorganic expansions through acquisitions. The company is experiencing a restructuring related to workforce reductions and efforts to consolidate its manufacturing footprint. As with Graco’s other main competitors, Dover has lower profitability margins.

(Refer to Table 2)

Market Sentiment

Due to higher profitability, investors are willing to pay a premium for Graco, relative to its peers through higher valuation metrics (Table 1).

Investment Summary

We initiate a HOLD recommendation for Graco with a one-year price target of $70, which represents a 8.9% downside from the closing price of $76.81 on 01/14/15. GGG is affected by demand for construction, manufacturing, mining, vehicle production, and service operations. Over the next few years, Graco may experience difficulties due to macroeconomic headwinds, but we recognize that the Company is the premium name within its industry peer group. Therefore, the potential downside does not warrant a sell recommendation.

Slowing Economic Growth in Key Foreign Markets

The Eurozone Purchasing Managers’ Index (“PMI”) peaked at 12.8% growth in April 2010 and fell to -3.7% in November 2012, before stabilizing to current levels of 0.7% growth for October 2014. The Eurozone reported annualized growth of 0.6% for Q3 2014. The unrest between Ukraine and Russia is contributing to economic tensions in Europe. Germany grew at 0.1% for the quarter with PMI falling below 50 in November and rebounding to 51.5 in December. Slowing growth was also evident in China as Gross Domestic Product decreased to 7.3% from its peak in Q1 2010 of 11.9%. China’s Industrial Production growth decelerated from 19.2% growth in November 2009 to 7.2% in November 2014. Japan, the world’s third largest economy, slipped into recession in the third quarter of 2014 as Japanese GDP declined 1.6% on an annualized basis. As the largest economies stabilize, we expect Graco’s growth in respective regions to follow suit.

Residential and commercial construction applications account for 40% of revenue by end market use. Within the Eurozone construction decreased after peaking in 2007. The Residential Permit Growth in the Eurozone, Growth in New Residential Constructions, and Growth in New Commercial Constructions all declined in recent years.

We expect continued growth in the United States, the world’s largest economy, to be driven by government, commercial, and residential construction, as well as manufacturing, aircraft, and machinery. We believe Graco will continue to benefit from domestic growth and possibly rebound in 2015.
Foreign Currency Effects
In 2014, the DXY increased 12.2%. The European Central Bank plans to implement asset purchases in the near-term. In addition, the Bank of Japan recently announced an increase in stimulus by up to 33% of current levels. The devaluation of currencies by central banks in hopes of stimulating the respective economies may sustain the appreciation of the DXY. As a result, we expect increasing foreign investment into the U.S. markets. These currency effects may impact Graco until foreign monetary policy is normalized. Continued appreciation of the DXY may also cause the Company’s exports to slow as 80% of Graco products are produced domestically. Foreign currency devaluation should impact international revenues and earnings as the Company does not hedge foreign currency exposure.

Domestic Acquisition Challenges
The Company purchased the Liquid and Powder finishing businesses from ITW Inc. for $570 million in 2011. The FTC blocked the transaction from closing, stating GGG must divest the liquid finishing division. Graco acquired Gusmer Corp. in 2005 and GlasCraft Inc. in 2008. These companies were GGG’s closest competitors in the Fast Set Equipment (“FSE”) market in the United States. The FTC stated Graco raised prices for the FSE market, reduced innovation and product options, and raised barriers to entry by colluding with distributors. Graco was forced to license products to Gama/PMC, a competitor in the industry, and allow competitors to gain access to distributors. The Company must also notify the FTC if it intends to acquire another company in the FSE market within the next ten years. GGG must notify the FTC if it intends to sue a distributor or customer due to violation of intellectual property rights. The oversight and restrictions enforced by the FTC illustrate the difficulties Graco may encounter when making future acquisitions.

Lower Demand from the Mining Industry
Growth in the Mining Industry is driven by capital expenditures and operational volume. As demand for raw materials decreases, we expect mining companies to lower capital expenditures and operational volume. The world’s ten largest mining companies reduced capital spending by 21% from 2012 to 2014 and plan to cut an additional 10% in 2015. After 2016, new mine development is expected to decrease significantly and depletion of existing mines may create difficulties in maintaining present production levels of metals. Increased tariffs for United States imports are also restricting demand. Chinese demand for iron ore decreased 5% in 2014 and is expected to decrease in 2015 due to government policies. Companies which transport the raw materials are also seeing the impact of lowered demand. Hyundai Heavy Industries, the world’s largest shipbuilder, slashed its earnings outlook due to longer than expected industry downturn and delayed recovery of commercial vessel orders. The impact on the shipbuilding industry could affect Graco’s revenues.

Channel Checks
We conducted our due diligence by speaking with prior employees, a primary raw material supplier, and distributors of Graco products. The insight provided from these individuals provided support to our investment thesis.

Sales Executive, Earl M. Jorgensen Company
We interviewed the sales executive from Earl M. Jorgensen Company (“EMJ”), a leading supplier of Steel and Aluminum Bar, Tubing, and Plate to manufacturing companies in North America and around the world. EMJ is a wholly owned subsidiary of Reliance Steel & Aluminum and is one of Graco’s largest suppliers of raw materials. The sales executive stated Graco’s demand for raw materials is projected to be flat for 2015, relative to 2014. Graco’s volume by ton is expected to be flat, however the firm may experience an increase in costs due to the rising aluminum prices. He also stated there is a 26-week delay from the moment raw materials are ordered and the time EMJ receives those materials. This indicates Graco must forecast its raw material needs at least 26-weeks in advance. This person also stated Graco is one of EMJ’s larger customers, which at times has given Graco a bargaining advantage. EMJ supplies raw materials to all of Graco’s plants in Minnesota as well as the South Dakota location.

Former Worldwide Channel Marketing Manager
We interviewed a former worldwide channel marketing manager from Graco. He was responsible for the global marketing of products within the Industrial segment. The major selling point for Graco products is the customer’s return on investment (ROI). When asked what advantage Graco had over the Company’s competitors, he stated that Graco allocated far more resources to marketing than the company’s competitors, which led to an increase in market share. During his time as a worldwide channel marketing manager, he noticed the Company allocated a higher proportion of effort to creating efficiency and bottom line growth compared to revenue growth. He saw this as a problem for the Company as it discouraged taking risks in the development of new products. Another focus was creating brand loyalty with distributors who sell competitor products as well as factories and end consumers. Trends in product assembly are moving away from nuts and bolts towards the use of adhesives, which will help Graco moving forward.

Store Manager, Sherwin Williams
We interviewed one of the managers at Sherwin Williams, a Fortune 500 company that engages in the manufacturing, distribution, and sale of paints, coatings and related products to professional, industrial, commercial, and retail customers. Sherwin Williams is also a major distributor for Graco’s contractor equipment segment. During this interview we were told that Graco paint sprayers are higher quality products than Wagner’s paint sprayers. This manager said that he rarely, if ever, sees a Graco product being returned. We were also informed that Graco products have a reputation of lasting a long time without needing repairs.
Valuation

Valuation of GGG is derived using Discounted Cash Flow to Firm

We valued GGG using the Discounted Cash Flow to Firm method and arrived at a price target of $70. The Discounted Cash Flow method involves estimating the firm’s enterprise value by discounting future cash flows. We are convinced this valuation method accurately portrays the firm’s aggregate value.

Intrinsic Value

The DCF relies on many forward-looking assumptions and the Company’s ability to achieve those targets. Although we believe a conservative perpetual growth rate was used, a large portion of the free cash flow is derived by the terminal value. The target price may be adjusted considerably should there be any changes to the terminal value. To confirm our price target, we used EV/EBITDA. Using the Diversified Industrial Machinery index’s 2015 projected multiple of 8.96 and factoring in the Company’s ten-year premium to the industry of 19%, we arrived at a multiple of 10.66. Adjusting GGG’s shares outstanding for expected buybacks (shares outstanding of 58.773M) and multiplying the EV/EBITDA multiple of 2015 consensus EBITDA of $383.3M, arriving at a price target of $70.

Limited Upside

To further analyze GGG, we took the 2015 P/E of 17.76 for the Diversified Industrial Machinery index and applied Graco’s ten-year premium of 19%, arriving at a 21 multiple. Taking group estimates for 2015 EPS of $3.79, we arrived at a price target of $80. The 4% upside from the closing price on 1/14/15 illustrates the limited upside in 2015, helping to confirm our HOLD recommendation.

Monte Carlo Analysis

Taking into account GGG’s price drift and using a large sample size we simulated prospective 2015 year end stock price. The simulated observations resulted in data being highly skewed right of the $81.34 mean price. Giving a higher probability that the company will close below this figure in 2015. We believe this further exemplifies the limited upside associated with GGG.

DCF Cash Flow Model: Free Cash Flow (FCF)

The Company’s long history provided us the confidence to estimate the essential drivers needed to arrive at an accurate value. The cyclical nature of Graco’s business compliments a two-stage growth model. Using this method we arrived at a price target of $70. The DCF model is sensitive to the following factors:

Revenue

Since 1995, Graco’s revenue has a correlation of 0.93, 0.88, and 0.88 to GDP of the U.S., E.U., and East Asia and Pacific countries, respectively. Revenue is driven by overall expected growth in the respective geographic regions. The model is broken up into two three-year forecasts.

First stage: Due to the strong economic environment in the US, we expect the Americas segment to maintain recent growth of 12% over the next three years. Strong manufacturing numbers and continuous improvements in the housing market should continue to drive the Industrial and Contractor segment, which comprise a significant portion of the Americas revenue. The economic headwinds in the EMEA could impede Graco’s ability to grow revenues above historic levels in these regions. As a result, we expect revenue in the EMEA region to grow at 9.1%. This long-term average is indicative of how Graco should perform in this region under normal conditions and is lower than recent average of 12.7%. The Asia-Pacific region experienced rapid deceleration in growth over the last few years. During the first stage of the model, we expect this region to grow at 7%. This figure is lower than the Asia-Pacific long-term average of 9.7%. Overall top-line growth for Graco in the first stage is 10.3%.

Second stage: We expect the foreign economic picture to improve with the EMEA and Asia-Pacific entering the expansionary phase of the economic cycle. In contrast, domestic growth is expected to decrease, while the EMEA and Asia-Pacific regions should increase. Historically, Graco has grown revenues at a 9% CAGR. Due
to the maturation of the Americas region, we believe 8.5% is a reasonable growth rate over this time period. The expected economic improvement in the EMEA and Asia should contribute positively. Revenue in the EMEA is expected to increase to 12.7%, as operations in this region should begin to normalize. The Asia-Pacific revenues should from 7% to 9.6%. We believe this is an accurate picture of what these regions can grow at under normal conditions. Overall, top-line growth in the second stage is 9.8%.

Margins

**Assumptions held constant:** Operating margins are held constant over both stages of the model. Tax rate over both stages are held constant at 30%, which is at the upper range of management’s run-rate.

**First Stage:** Decreases in production volumes should lead to lower revenue over the first stage of the model. Corresponding decreases in production volume have typically put downward pressure on gross profit margins. Thus, we expect the company to maintain its 10 year average of a 53% gross margin. Graco usually offsets increases in production costs with decreases in operating expenses, which are rewarded by pay incentives, leading to fairly consistent operating margins of 25.9% over the first stage. Management has stated it plans pay down net debt to $300 million, leading to lower interest expense in the last year of the first stage. Due to the operating leverage inherent in Graco’s operations, decreases in revenue growth will cause net margins to contract from 18.5% in 2014 to 17.5% in 2017 at the end of the first stage.

**Second Stage:** Higher production volume should lead to higher revenue over the first stage, which, coupled with increased manufacturing capabilities may lead to lower COGS and higher a gross margin of 55% in the second stage. Management’s ability to effectively control operating costs should lead to a corresponding expansion in operating margin from 25.9% to 27.9%. By 2018 management plans to pay down debt to $225 million, which should lead to a lower interest expense. As revenue growth begins to increase in the second stage, operating leverage should increase company profitability and lead to net margin expansion in the second phase from 17.5% to 19.1%.

**CAPEX**

Due to the volatility of capital expenditures, the best method for determining this expense was using a percentage of revenue. Over the last decade CAPEX has been 2.8% of revenue on average. We project CAPEX will increase by this proportion over both stages of the model.

**Perpetual Growth Rate**

The perpetual growth rate is based on: (1) global economic conditions and large international exposure (downward revisions in global growth rates), (2) the Company’s ability to grow organically, (3) ability to grow through acquisitions in core segments (forced divestiture in key segments), (4) consistent ability to generate strong cash flows, (5) and currency fluctuations. Considering the previously stated factors, we established a perpetual growth rate of FCF at 4%. We believe it is a conservative estimate given the maturity of the Company and the historical ten-year FCF CAGR of 8.8%.

**Required Return (WACC)**

Given the low interest rate environment, we believe the weighted average cost of debt is artificially low. The corresponding appreciation in the U.S. equity market has kept the weighted average cost of equity high. In turn, we utilized a unique approach to calculate our required rate of return. Taking the historical return of the S&P-500, we arrived at an expected return of 7.4%. We then used the 10-year government bond risk-free rate of 1.9%. After factoring in a margin of safety (current inflation rate) of 1.7%, we arrived at a WACC of 11%.

**Share Repurchases**

In September 2012, the Board of Directors authorized the Company to purchase up to 6 million shares of its outstanding stock, through open-market transactions. This authorization will expire on September 30, 2015. Approximately 3,213,000 shares are still approved for repurchase. Since management has rolled over this agreement over before, we find it safe to assume the Company will do so until the repurchase program is completed. We assume Graco will be buying back 535,400 shares for the six years forecast in our model.

**Summary**

By taking into account the estimated intrinsic value of the firm and factoring in growth prospects, we determined the fair price for GGG to be $70. After comparing this price to GGG’s current price off $76.81, we issue a **HOLD** rating, as Graco should outperform its peers. Potential downside associated with holding Graco over the next twelve months is 8.9%.
Financial Analysis

Assumptions
We modeled Graco’s financial information on a Non-GAAP basis. From Q1 2015 to Q4 2015, we used pro forma statements, assuming Graco, QED, and Alco Valves Ltd. were a single legal entity as of January 1st, 2015.

FY 2015 Guidance
Management has set FY 2015 revenue guidance between $1.265 and $1.35 billion with earnings guidance of $3.75-$4.25 per share. Our projections lead us to believe revenues will be near the middle of this range, with a projected FY 2015 revenue estimate of $1.3 billion. This implies an 8.9% increase from our FY 2014 revenue estimate of $1.214 billion, which is below management’s targeted growth rate of 10%. The factors driving these projections include the cyclical nature of the Company and the industry in which it operates, devaluation of cash flows due to foreign exchange headwinds, unsustainably economic growth numbers globally, and regulatory issues.

Divestiture of Finishing Brand Holdings Inc.
Graco will divest assets of Finishing Brand Holdings, Inc. (“FBH”), which were acquired from Illinois Tool Works, Inc. in April 2012. At this time, Carlisle Companies has offered $590 million for Finished Brand Holdings, Inc., which is pending FTC approval. The deal is expected to close by Q1 2015 within the FTC 180-day requirement, leaving the Company with $570 million in cash, after fees. Management stated that cash from this divestiture may be used to lower the diluted shares outstanding to below 60 million shares, reduce long-term debt to approximately $300 million, make strategic acquisitions, or fund a possible increase in the dividend payout.

Maturing Revenue Growth
The company’s ten-year revenue CAGR of 10.6% has stayed in-line with management’s goal of 10% and slightly above the historic CAGR of 9% dating back to its IPO. Taking into account the cyclical environment in which Graco operates, we expect to see further slowing revenue growth.
Capital Expenditures
The cyclical nature of this industry can be observed through fluctuations in capital expenditures over Graco’s
estored history. Over the last ten years CAPEX has been 2.8% of revenues. Due to cyclicality, capital
expenditures in a given year will typically be offset by capital expenditures in the following years.

Dividend Policy
The Graco management team issued a dividend payout guidance of approximately 30%. We are projecting
Graco’s payout ratio within a range of 29%-35%, due to the excess cash from the divestiture of FBH assets.

Margin Expansion
Graco’s gross margin range has been between 49-56% of total revenue over the last decade, outperforming
rivals Idex Corporation 39-46% and Colfax Corporation 27-36%. GGG has been able to maintain higher gross margins
due to the premium quality of products relative to its peers, which allows the Company to pass higher costs to
the end consumer. In addition, production efficiencies allow fluctuation in this profitability measure. Operating
margins over the last 10 years (with exception to 2008) have been between 20.6-27.7%. Operational efficiencies
and cost cutting pay incentives (up to 6% of base salary) help drive the maintenance and sustainability of this
high operating margin relative to the industry. Graco continues to outperform rivals on the basis of net margin
as well. The Company has generated net margins of 7-19% over the last decade, with rivals Idex Corporation
and Colfax Corporation between 2-13% and -8.8%, respectively.

Balance Sheet Composition
Graco’s balance sheet contains a strong cash and current asset position. Over the past 5 years, Graco has averaged
a current ratio of 3.6 and a quick ratio of 2.9, illustrating a strong ability to meet short-term financing needs and
allow the company to make strategic acquisitions accordingly. These ratios are elevated, in part due to the
divestiture of FBH, leaving approximately $420 million on the balance sheet under short-term investments.
However, the firm should have a strong cash position after liquidating the business in Q1 2015. Graco maintained
a ten-year current ratio of 2.06 and a quick ratio of 1.55. Management stated the excess cash after the divestiture
of FBH will be used to pay debt down to approximately $300 million, leaving the Company $270 million to be
used to repurchase stock, increase dividends, or finance future acquisitions.

Short-Term Return Pressures
Graco is suffering from a slowdown in returns, as measured by ROE and ROA, in part due to holding of Illinois
Tool Works, Inc. off the books. ROE and ROA have not returned to pre-acquisition levels achieved during the
years preceding 2012. ROA and ROE have decreased to approximately 16% and 39% respectively, with ROE
expected to fall to 26% in FY 2014 due to lower levels of leverage implemented by the Company. The decrease
in return metrics displays an inefficient use of assets and equity by management. We expect to see increases in
return metrics following the divestiture of Finishing Brand Holdings, Inc. and the expected integration of Alco
Valves.

Pension Funding
Graco’s pension fund has been underfunded since fiscal year 2007. At the end of FY 2013, the pension assets
had fair value of $280.6 million in investments with a Projected Benefit Obligation (“PBO”) of $352.3 million;
financing only 80% of the Company’s PBO and creating a $71.7 million deficit. The pension fund has a target
strategy of 65% equities, 22% fixed income securities, and 13% real estate and alternative investments. Recently,
the pension plan was comprised of 65% equities, 17% fixed income securities, and 18% real estate and alternative
investments at the end of FY 2013. Following the financial crisis of 2008, Graco’s pension fund has struggled
to return to funded levels. Leading up to 2008, Graco had a goal of 80% of the pension fund being comprised of
equities, a risky investment strategy whose shortcomings were realized in the equity market collapse in late 2008.
Following this period of falling equity values, Graco has restrucured its pension fund to be less dependent on
equities, although the majority of the fund is still based on equity values. Underfunding in the pension fund may
lead to voluntary contributions going forward, potentially impacting net income.

Strong Cash Generation
We expect Graco to produce average FCF relative to historic levels, due to strong underlying fundamentals and
management’s ability to manage production and operational costs. While working capital metrics have been
deteriorating over the last five years, management is expected to continue to generate above average cash flows.
In addition, plans to pay down debt to $300 million by the end of 2015 should be positive for cash flows going
forward. Graco’s ability to generate strong cash flows can be illustrated over the last 10 years as Graco has grown
FCF at an 8.8% CAGR. These strong cash flows have led to lower debt ratios overtime and enhance the Company’s financial flexibility.

Investment Risks
U.S. Housing Market (A1)
The Contractor segment has experienced growth within the U.S. as the housing market has progressively
improved. If the U.S. housing market begins to decline, Graco’s Contractor segment may be adversely affected.

Rise in Interest Rates (A2)
Borrowing cost that increase may limit Graco’s opportunities to use cheap capital to pursue attractive
investments acquisitions. This would limit GGG ability to expand revenue inorganically.
End User Conversion (A3)
The Contractor segment for Graco depends on end user conversion. In many areas, liquids are still applied by using a brush or roller. If this initiative isn’t successful, Graco should see lower growth in the foreign Contractor revenues.

Acquisitions (A4)
Graco’s regulations keep the firm from expanding in key domestic industries. Graco could create similar circumstances to the company’s FSE and Liquid Finishing businesses, where the Company has an advantage over competitors due to the large market share Graco could control. This could likely occur in the Lubrication or Industrial segments due to the Company’s strong market position in the Contractor segment.

Price Sensitivity (A5)
Graco plans to increase prices by 2% in 2015. If similar initiatives are taken without added value, end user may convert to substitute products, affecting both profitability and pricing power going forward.

Economic Growth
Global economic growth greater than the current expected rate could indicate higher construction rates and industrial output. This would create stronger demand for Graco products, increasing revenue for the Contractor and Industrial segments.

Raw Material Demand
An increase in demand for mined raw materials should create a more favorable environment for extraction companies. As these companies ramp up operations, this should positively affect Graco by creating new customers or increasing sales with current clients.

Foreign Exchange
Graco receives 46% of its revenues from international sources. If the U.S. Dollar weakens, Graco should be impacted less than our thesis assumes.

Expansion of Distribution Channels
If Graco entered into an agreement with another distributor of its products, we expect revenues to increase in that segment. This agreement in the Contractor segment would include home centers that supply the public with the tools needed for home improvement projects. In the Industrial segment, expansion to wholesale distributors should drive revenue.

Analyst Recommendation
Despite short-term headwinds for Graco during the next year, the Company is a well-managed company within the Diversified Industrial Machinery Index. Thus, we have placed a HOLD rating on the Company. Even with geographic headwinds, Graco stock price should outperform over the next twelve months relative to its peers due to consistent, industry leading profitability metrics and the ability to generate a strong free cash flow for shareholders. For patient investors, the 8.9% downside we anticipate in GGG’s stock price during the next twelve months should create a favorable entry point. The Company is a well-respected leader in the Diversified Industrial Machinery Industry whose stock price should appreciate when foreign markets become favorable and revenues and earnings growth accelerate.

Sources: Bloomberg, FactSet, Team Estimates, Morningstar, Company Disclosure, Wunderlich Securities, IMF, St. Louis FRED, CapIQ, Yahoo! Finance.

We assign a BUY rating when a security is expected to deliver returns of 15% of greater over the next twelve months. A SELL rating when the security is expected to deliver negative returns over the next twelve months, while a HOLD rating implies flat returns over the next twelve months.
## Balance Sheet

### Pro Forma Balance Sheet ($ in Millions)

<table>
<thead>
<tr>
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<tbody>
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<td>Cash</td>
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<td>$422.3</td>
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<td>$264.5</td>
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<td>$11.0</td>
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<td>$1,800.0</td>
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<td>Net Property, Plant &amp; Equipment</td>
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<td>$154.8</td>
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<td>Other Assets</td>
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<tr>
<th>Liabilities and Shareholder's Equity</th>
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<tr>
<td>Short-Term Debt &amp; Current Portion LT Debt</td>
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<td>Accounts Payable</td>
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<td>Long-Term Debt</td>
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<td>Provision for Risks &amp; Charges</td>
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<td>Deferred Tax Liabilities</td>
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<th>Equity</th>
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<td>Common Stock Par</td>
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<td>Additional Paid-In Capital</td>
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<td>Retained Earnings</td>
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<td>Cumulative Translation Adjustment/Unrealize</td>
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<td>Other Appropriated Reserves</td>
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<td>Total Shareholders' Equity</td>
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<tr>
<td>Total Liabilities &amp; Shareholders' Equity</td>
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## Income Statement

### Pro Forma Income Statement ($ in Millions)

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<tr>
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<tr>
<td><strong>Sales</strong></td>
<td>1104.0</td>
<td>1198.9</td>
<td>1322.6</td>
<td>1459.6</td>
<td>1611.3</td>
<td>1768.1</td>
<td>1940.7</td>
<td>2130.6</td>
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<td>Americas</td>
<td>595.0</td>
<td>666.4</td>
<td>746.4</td>
<td>835.9</td>
<td>936.2</td>
<td>1015.8</td>
<td>1102.2</td>
<td>1195.9</td>
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<td>EMEA</td>
<td>283.0</td>
<td>308.8</td>
<td>336.8</td>
<td>367.5</td>
<td>400.9</td>
<td>451.9</td>
<td>509.3</td>
<td>573.9</td>
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<td>Asia-Pacific</td>
<td>226.0</td>
<td>223.7</td>
<td>239.4</td>
<td>256.2</td>
<td>274.1</td>
<td>300.4</td>
<td>329.2</td>
<td>360.8</td>
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<td><strong>Cost of Goods Sold</strong></td>
<td>496.6</td>
<td>563.5</td>
<td>621.6</td>
<td>686.0</td>
<td>757.3</td>
<td>795.6</td>
<td>873.3</td>
<td>958.8</td>
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<tr>
<td><strong>Gross Income</strong></td>
<td>607.4</td>
<td>635.4</td>
<td>701.0</td>
<td>773.6</td>
<td>854.0</td>
<td>972.5</td>
<td>1067.4</td>
<td>1171.8</td>
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<tr>
<td><strong>Operating Expenses</strong></td>
<td>327.7</td>
<td>324.9</td>
<td>358.4</td>
<td>436.7</td>
<td>479.2</td>
<td>525.9</td>
<td>577.4</td>
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<td>Selling Expense</td>
<td>187.1</td>
<td>185.5</td>
<td>204.7</td>
<td>225.9</td>
<td>249.3</td>
<td>273.6</td>
<td>300.3</td>
<td>329.7</td>
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<td>General Admin. Expense</td>
<td>93.1</td>
<td>92.3</td>
<td>101.8</td>
<td>112.3</td>
<td>124.0</td>
<td>136.1</td>
<td>149.4</td>
<td>164.0</td>
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<td>R&amp;D Expense</td>
<td>47.5</td>
<td>47.1</td>
<td>52.0</td>
<td>57.4</td>
<td>63.3</td>
<td>69.5</td>
<td>76.3</td>
<td>83.7</td>
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<tr>
<td><strong>EBIT</strong></td>
<td>279.7</td>
<td>310.5</td>
<td>342.6</td>
<td>378.0</td>
<td>417.3</td>
<td>493.3</td>
<td>541.4</td>
<td>594.4</td>
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<tr>
<td><strong>Nonoperating Income</strong></td>
<td>27.2</td>
<td>26.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td><strong>Interest Expense</strong></td>
<td>18.2</td>
<td>19.43</td>
<td>15.97</td>
<td>15.97</td>
<td>14.84</td>
<td>12.18</td>
<td>11.43</td>
<td>11.43</td>
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<tr>
<td><strong>Unusual Expense</strong></td>
<td>2.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td><strong>Pretax Income</strong></td>
<td>286.8</td>
<td>317.1</td>
<td>326.6</td>
<td>362.1</td>
<td>402.5</td>
<td>481.1</td>
<td>530.0</td>
<td>583.0</td>
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<tr>
<td><strong>Income Taxes</strong></td>
<td>78.0</td>
<td>95.1</td>
<td>98.0</td>
<td>108.6</td>
<td>120.7</td>
<td>144.3</td>
<td>159.0</td>
<td>174.9</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>208.75</td>
<td>221.96</td>
<td>228.61</td>
<td>253.45</td>
<td>281.74</td>
<td>336.78</td>
<td>371.01</td>
<td>408.11</td>
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<tr>
<td>Shares Outstanding</td>
<td>61.000</td>
<td>59.300</td>
<td>58.765</td>
<td>58.230</td>
<td>57.695</td>
<td>57.160</td>
<td>56.625</td>
<td>56.090</td>
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<tr>
<td>Diluted Shares Outstanding</td>
<td>62.800</td>
<td>60.200</td>
<td>59.664</td>
<td>59.129</td>
<td>58.594</td>
<td>58.058</td>
<td>57.523</td>
<td>56.987</td>
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<tr>
<td><strong>Basic EPS</strong></td>
<td>3.42</td>
<td>3.74</td>
<td>3.89</td>
<td>4.35</td>
<td>4.88</td>
<td>5.89</td>
<td>6.55</td>
<td>7.28</td>
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<tr>
<td><strong>Diluted EPS</strong></td>
<td>3.32</td>
<td>3.69</td>
<td>3.83</td>
<td>4.29</td>
<td>4.81</td>
<td>5.80</td>
<td>6.45</td>
<td>7.16</td>
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<tr>
<td>Dividends per share</td>
<td>1.02</td>
<td>1.10</td>
<td>1.20</td>
<td>1.38</td>
<td>1.59</td>
<td>1.83</td>
<td>2.10</td>
<td>2.41</td>
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<tr>
<td><strong>EBITDA</strong></td>
<td>317.02</td>
<td>351.82</td>
<td>386.45</td>
<td>425.26</td>
<td>468.25</td>
<td>548.20</td>
<td>600.73</td>
<td>658.55</td>
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Statement of Cash Flows

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$208.8</td>
<td>$222.0</td>
<td>$228.6</td>
<td>$253.4</td>
<td>$281.7</td>
<td>$336.8</td>
<td>$371.0</td>
<td>$408.1</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>$37.3</td>
<td>$41.3</td>
<td>$43.9</td>
<td>$47.2</td>
<td>$50.9</td>
<td>$54.9</td>
<td>$59.3</td>
<td>$64.1</td>
</tr>
<tr>
<td>Deferred Taxes &amp; Investment Tax Credit</td>
<td>$(1.7)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Other Funds</td>
<td>$8.2</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Funds From Operations</td>
<td>$252.6</td>
<td>$263.3</td>
<td>$272.5</td>
<td>$300.7</td>
<td>$332.7</td>
<td>$391.7</td>
<td>$430.3</td>
<td>$472.2</td>
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<td>Changes in Working Capital</td>
<td>$(11.6)</td>
<td>$160.3</td>
<td>$18.0</td>
<td>$150.6</td>
<td>$43.4</td>
<td>$(28.2)</td>
<td>$133.1</td>
<td>$(32.1)</td>
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<td>Net Operating Cash Flow</td>
<td>$241.0</td>
<td>$423.6</td>
<td>$290.5</td>
<td>$451.3</td>
<td>$376.1</td>
<td>$363.5</td>
<td>$563.4</td>
<td>$440.1</td>
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</table>

Investing Activities

| Capital Expenditures | $23.3 | $(33.6) | $(39.7) | $(40.9) | $(45.1) | $(69.0) | $(75.7) | $(83.1) |
| Net Assets from Acquisitions | $(11.6) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Sale of Fixed Assets & Businesses | $1.6 | $ - | $422.3 | $ - | $ - | $ - | $ - | $ - |
| Purchase/Sale of Investments | $4.5 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Other Funds | $(2.5) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net Investing Cash Flows | $(31.2) | $(33.6) | $382.6 | $(40.9) | $(45.1) | $(69.0) | $(75.7) | $(83.1) |

Financing Activities

| Cash Dividends Paid | $(61.1) | $(65.2) | $(70.5) | $(80.4) | $(91.6) | $(104.3) | $(118.8) | $(135.4) |
| Change in Capital Stock | $(26.2) | $(127.5) | $(40.1) | $(40.1) | $(40.1) | $(40.1) | $(40.1) | $(40.1) |
| Issuance/(Reduction) of Debt | $(146.9) | $(10.7) | $(97.7) | $ - | $ - | $(75.0) | $ - | $(75.0) |
| Other Funds | $8.4 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Net Financing Cash Flow | $(225.9) | $(203.4) | $(208.3) | $(120.5) | $(131.7) | $(219.4) | $(159.0) | $(250.5) |

Exchange Rate Effect

| $2.7 | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

Net Change in Cash

| $(13.4) | $186.6 | $464.8 | $289.9 | $199.3 | $75.1 | $328.7 | $106.5 |

DCF Model

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<tr>
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</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>$1,198.89</td>
<td>$1,322.62</td>
<td>$1,459.59</td>
<td>$1,611.28</td>
<td>$1,768.09</td>
<td>$1,940.67</td>
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<td>COGS</td>
<td>$563.48</td>
<td>$621.63</td>
<td>$686.01</td>
<td>$757.30</td>
<td>$873.30</td>
<td>$938.78</td>
<td>$958.78</td>
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<td>Operating Expenses</td>
<td>$324.90</td>
<td>$358.43</td>
<td>$395.55</td>
<td>$436.66</td>
<td>$479.15</td>
<td>$525.92</td>
<td>$557.40</td>
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<td>Income Tax Expense</td>
<td>$95.12</td>
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<td>$108.62</td>
<td>$120.74</td>
<td>$144.34</td>
<td>$159.00</td>
<td>$174.90</td>
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<tr>
<td>Net Income</td>
<td>$33.57</td>
<td>$39.68</td>
<td>$40.87</td>
<td>$45.12</td>
<td>$68.96</td>
<td>$75.69</td>
<td>$83.09</td>
</tr>
<tr>
<td>Change in Net Working Capital</td>
<td>$2.20</td>
<td>$2.42</td>
<td>$2.66</td>
<td>$2.81</td>
<td>$3.08</td>
<td>$3.38</td>
<td>$3.72</td>
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<tr>
<td>One-Time Gain</td>
<td>$177.10</td>
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<tr>
<td>Free Cash Flow to Firm</td>
<td>$179.62</td>
<td>$379.58</td>
<td>$225.89</td>
<td>$248.65</td>
<td>$276.93</td>
<td>$303.37</td>
<td>$332.73</td>
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<td>Discount FCF</td>
<td>$179.62</td>
<td>$341.97</td>
<td>$183.33</td>
<td>$181.81</td>
<td>$182.42</td>
<td>$180.04</td>
<td>$177.89</td>
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<tr>
<td>Price Target</td>
<td>$69.55</td>
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</table>
Monte Carlo Analysis

Monte Carlo Analysis Summarization

Starting Price $81.34
Daily Volatility 2.018%

Mean Price $81.25
Median Price $77.35
Standard Deviation 27.62

Price Observations per price range

<table>
<thead>
<tr>
<th>Price</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30</td>
<td>25</td>
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<td>$40</td>
<td>75</td>
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<td>$50</td>
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<td>$60</td>
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<td>$70</td>
<td>26</td>
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<td>$80</td>
<td>142</td>
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<tr>
<td>$90</td>
<td>109</td>
</tr>
<tr>
<td>$100</td>
<td>39</td>
</tr>
</tbody>
</table>
| $110  | 56           | 666
| $120  | 31           |
| $130  | 22           | Above 100
| $140  | 19           |
| $150  | 11           |
| $160  | 11           |
| $170  | 2            |
| $180  | 2            |
| $190  | 1            |
| $200  | 1            |
Product Lines

- Contractor
  - Field Marking Equipment
  - Floor Finish Equipment
  - Line Striping Equipment
  - Paint Spraying Equipment
  - Pressure Washing Equipment
  - Flood Coating Equipment
  - Spray Guns
  - Textile Spray Equipment

- Lubrication
  - Centralized Equipment
  - Compressor Equipment
  - Industrial Equipment
  - Mobile Off-Road Equipment
  - Mobile On-Road Equipment
  - Single Source

- Industrial
  - Petrolatum Management
  - Accessories
  - Electric Transfer Pumps
  - Hose Reels
  - Lubricant Dispenser
  - Mixers
  - Pumps
  - Used Fluid Handling Packages

- Process Pump Equipment
  - Air-Operated Double Diaphragm Pump
  - Electric Pumps
  - Process Pumps
  - Process Accessories
  - Sanitary Equipment
  - Sanitary Pumps

- Finishing Equipment
  - Conventional Spray Guns
  - Electrostatic Spray Guns
  - Finishing Accessories
  - Fluid Component Pumps
  - Spray Packages

- High Performance Coatings and Tools
  - Accessory Component Sub-systems
  - Nozzle Component Processing

- In-House Refurbishment Equipment
  - Accessory Component Sub-systems
  - Nozzle Component Processing

- Systems and Adhesion Equipment
  - Accessories
  - Coating Equipment
  - Energy Dispense Equipment
  - Mixing Packages
  - Supply Systems
  - Valves

- Composites
  - Composite Components
  - Composite Systems
  - Gel Coat and Chop Eams
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