

GRACO INC
Form 10-Q
October 24, 2018

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 September 28, 2018

Commission File Number: 001-09249

GRACO INC.
(Exact name of registrant as specified in its charter)

Minnesota 41-0285640
(State of incorporation) (I.R.S. Employer Identification Number)

88 - 11th Avenue N.E. 55413
Minneapolis, Minnesota
(Address of principal executive offices) (Zip Code)
(612) 623-6000
(Registrant's telephone number, including area code)

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, 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 NoX

166,437,000 shares of the Registrant's Common Stock, \$1.00 par value, were outstanding as of October 18, 2018.

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PART I Item 1.

GRACO INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited) (In thousands except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 28, 2018		September 28, 2017	
	2018	2017	2018	2017
Net Sales	\$415,936	\$ 379,812	\$1,246,854	\$ 1,099,885
Cost of products sold	194,477	175,732	573,071	505,450
Gross Profit	221,459	204,080	673,783	594,435
Product development	15,734	14,552	47,135	43,473
Selling, marketing and distribution	57,270	57,381	182,741	167,353
General and administrative	33,676	30,712	104,054	94,329
Operating Earnings	114,779	101,435	339,853	289,280
Interest expense	3,583	3,901	10,707	12,110
Other expense, net	3,139	1,142	8,425	3,599
Earnings Before Income Taxes	108,057	96,392	320,721	273,571
Income taxes	15,376	20,932	53,390	57,551
Net Earnings	\$92,681	\$ 75,460	\$267,331	\$ 216,020
Per Common Share				
Basic net earnings	\$0.55	\$ 0.45	\$1.59	\$ 1.29
Diluted net earnings	\$0.54	\$ 0.43	\$1.54	\$ 1.24

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited) (In thousands)

	Three Months Ended		Nine Months Ended	
	September 28, 2018		September 28, 2017	
	2018	2017	2018	2017
Net Earnings	\$92,681	\$ 75,460	\$267,331	\$ 216,020
Components of other comprehensive income (loss)				
Cumulative translation adjustment	4,161	574	(2,205)	17,921
Pension and postretirement medical liability adjustment	1,972	2,250	6,503	6,034