

Fact Book 2021



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About Us

W.W. Grainger, Inc. is a broad line, business-to-business distributor of maintenance, repair, and operating (MRO) supplies and other related products and services. More than 5 million customers worldwide rely on Grainger for products in categories such as safety, material handling, and metalworking, along with services like inventory management and technical support. These customers represent a broad collection of industries, including commercial, government, healthcare, and manufacturing and place orders online, on mobile devices, through sales representatives, over the phone, and at local branches. More than 4,500 suppliers provide Grainger with 1.5 million products stocked in the company's distribution centers (DCs) and branches worldwide. Additionally, Grainger's Endless Assortment businesses offer approximately 26 million products through the Company's expanding drop-ship assortment. Grainger employs approximately 23,000 team members across the globe. For more information on Grainger, visit invest.grainger.com.

The Grainger EdgeSM

The Grainger Edge is our strategic framework that uniquely defines the company by asserting why we exist, how we serve our customers, and how our team members work together to achieve our objectives. Grainger's purpose is to keep the world working, which in turn allows our customers to focus on the core of their businesses and what they do best. This framework also outlines a set of principles that define the behaviors expected from all team members in working with each other, customers, supplier partners and communities as we execute our strategy and create value for shareholders.

Our Purpose

We Keep the World WorkingSM

Our Aspiration

We relentlessly expand our leadership position by being the go-to partner for people who build and run safe, sustainable, and productive operations.

Our Strategy

High-Touch Solutions Model

- Advantaged MRO solutions
- Differentiated sales and services
- Unparalleled customer service

Endless Assortment Model

- Expansive product assortment
- Innovative customer acquisition and retention capabilities

Our Principles



2020 Financial Summary

In 2021, Grainger announced the re-segmentation of its business into two reportable segments—High-Touch Solutions (N.A.) and Endless Assortment. Grainger operates with a continuous improvement mindset focused on driving growth while maintaining a prudent cost structure, which in turn creates high-return and strategic investments.

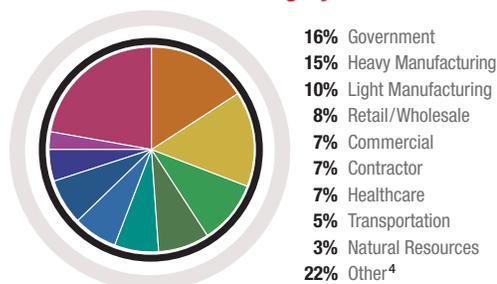
	High-Touch Solutions N.A.	Endless Assortment	Other ¹	Total Company
Revenue	\$9.2B	\$2.2B	\$0.4B	\$11.8B
Daily Sales Growth % ²	1.7%	18.2%	(35.5)%	2.3% / 3.6% ³
Adjusted Operating Margin % ²	13.0%	8.0%	(11.9)%	11.2%
Adjusted ROIC ²	29.6%	32.1%	—	28.2%

¹ Includes Cromwell as well as the divested Fabory and China businesses in periods prior to their divestitures.

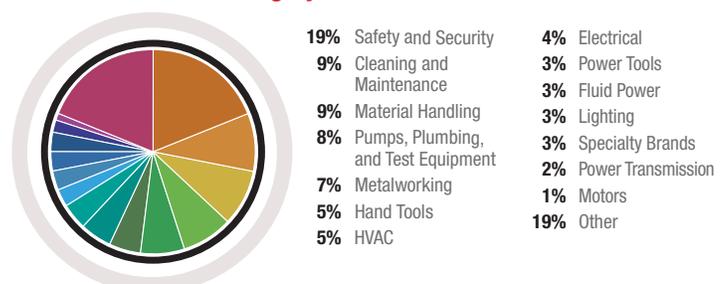
² Reconciliations of the measures referenced in the table above to the most directly comparable GAAP measures are provided on page 13 of this Fact Book.

³ 3.6% is total company, organic daily sales growth and excludes results for Fabory (post June 30, 2020) and Grainger China (post August 21, 2020) in the prior year period to reflect the completed divestitures.

2020 Sales Customer Category



2020 Sales Product Category



⁴Other category primarily includes revenue from individual customers not aligned to major industry segment, including small businesses and consumers, and intersegment net sales.

Business Models

Both Grainger businesses are focused on creating value for their individual customers, using their superior customer value propositions. The company's strategy has always been defined by its customers' needs, and Grainger uses its High-Touch Solutions and Endless Assortment models to serve customers of all sizes.

HIGH-TOUCH SOLUTIONS

- Typically, larger businesses
- Multifaceted purchasing and processing complexities
- Expert product and service depth and breadth
- Focused on total cost of ownership

Advantaged MRO Solutions

- MRO-focused assortment
- Deep product and customer expertise
- Superior digital platform

Differentiated Sales and Service

- Sales and on-site services deliver expertise and help customers manage inventory

Unparalleled Customer Service

- Focus on quick and complete orders
- No-hassle invoicing and returns

CUSTOMER PROFILE "WHO"

CUSTOMER VALUE PROPOSITION "WHAT"

ENDLESS ASSORTMENT

- Typically, smaller businesses
- Easier-to-navigate procurement process
- Straight-forward product and service needs
- Focused on streamlined, transparent pricing

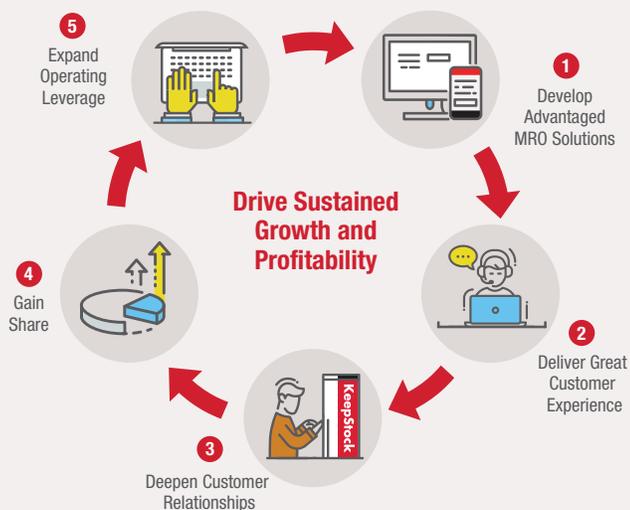
Expansive Product Assortment

- Extended product range covering broad business categories
- Competitive pricing

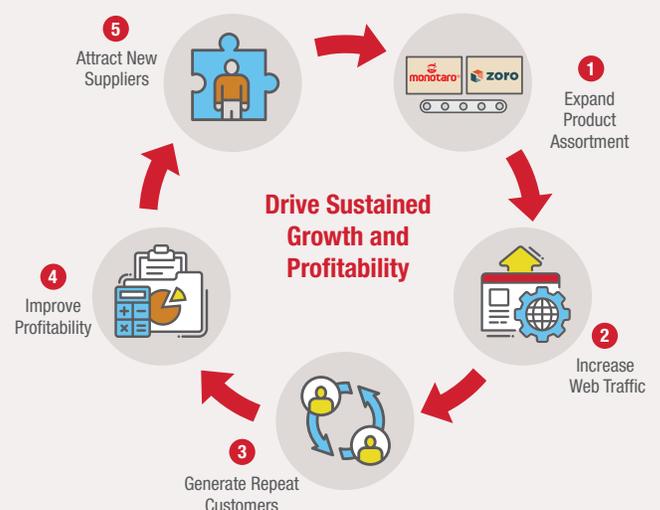
Innovative Customer Experience

- Efficient, business-focused e-commerce platform
- Intelligent analytics capabilities
- Advantaged fulfillment

Leveraging industry-leading position and capabilities to gain share profitably.



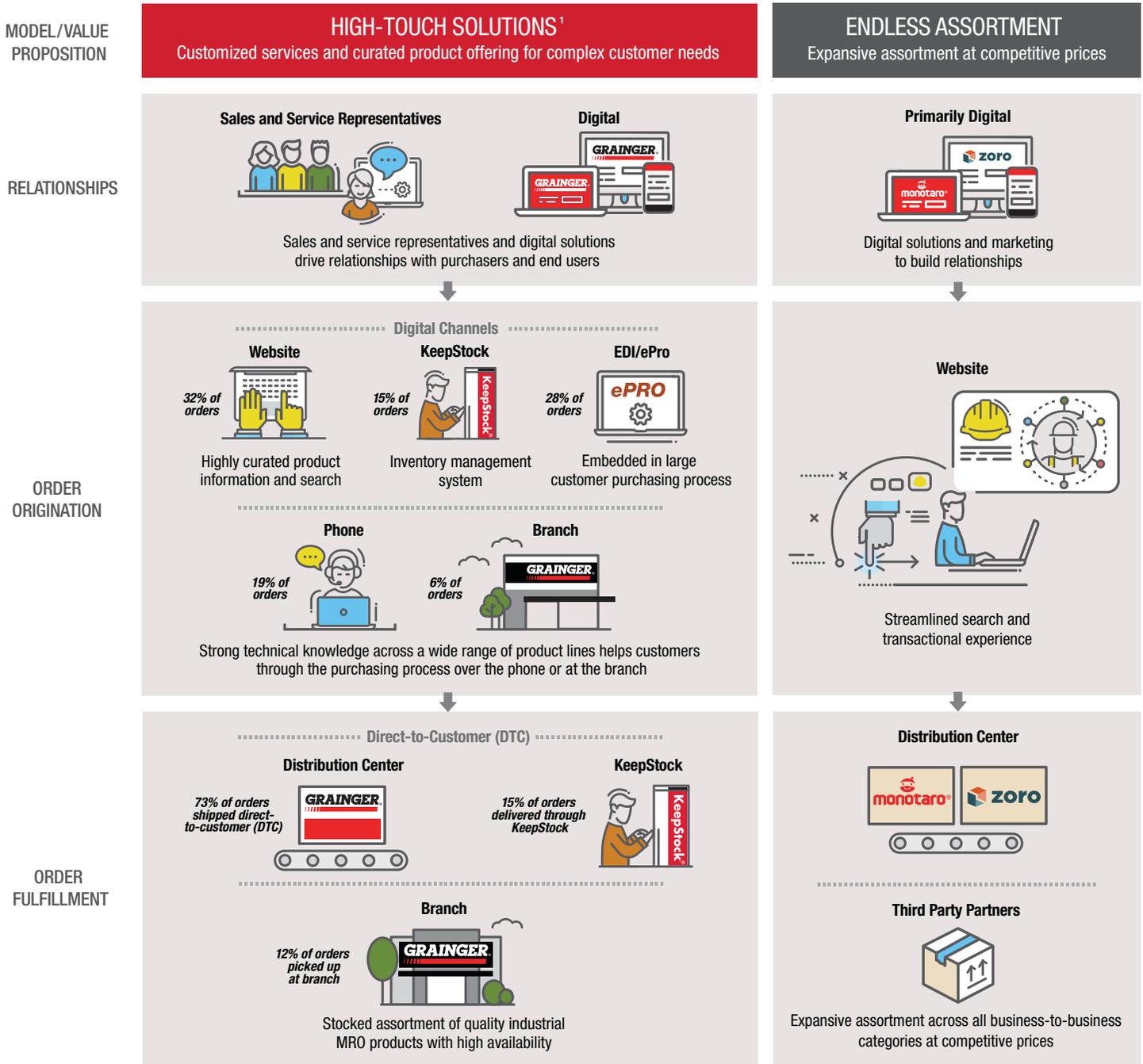
Continue executing strategic playbook to drive 20% annual growth.



BEST-IN-CLASS SUPPLY CHAIN | STRONG FINANCIAL POSITION | STRONG CULTURE AND ESG LEADERSHIP | DEEP INDUSTRY AND FUNCTIONAL KNOW-HOW

Business Models

Each business model differentiates itself through different methods of relationship building, order origination, and order fulfillment, but both are founded and supported by Grainger's overall commitment to best-in-class supply chain, deep industry knowledge, solid financials, and strong culture.



¹ Order origination and fulfillment data provided is for the U.S. High-Touch solutions business only.

High-Touch Solutions

The **High-Touch Solutions model** serves customers with complex buying needs, primarily in North America. This model helps Grainger create powerful customer-tailored solutions, deliver a great customer experience, and develop deep customer relationships—whether onsite, at a branch, over the phone, or online. Grainger creates value for customers through its sales and service representatives, technical product support, fulfillment capabilities, inventory management solutions, and other services. In this business in the U.S., Grainger is focused on driving 300–400 basis points of outgrowth versus the market by focusing on the following strategic activities: building advantaged MRO solutions, delivering unparalleled customer service, and offering differentiated sales and services.

Advantaged MRO Solutions



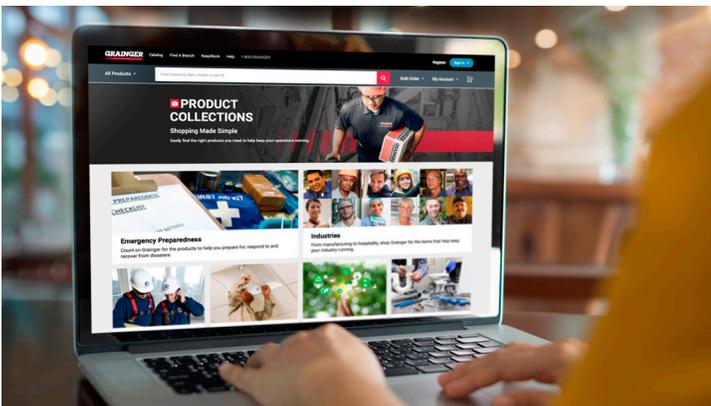
MRO-focused assortment

Grainger's scale, knowledge of the marketplace, and deep supplier relationships help the company cultivate an MRO-focused product assortment. Over the last two years, Grainger has worked to remerchandise its product assortment, and through year-end 2020, over \$2.8 billion in product revenue has been reviewed. Grainger continues to add to its assortment in a selective manner so customers can quickly and confidently find the solution for their needs.



Deep product and customer expertise

Grainger knows its customers and products better than anyone else. This expertise allows the company to help customers find the right products, services, and solutions to address their problems quickly. Combining this insight with analytics, we develop relevant marketing content and offers to acquire new customers and grow with existing customers.



Superior digital platform

In this ever-connected world, customers crave highly tailored solutions that provide real-time access to information followed by quick delivery of products, which allows them to effectively and efficiently manage their businesses. In 2020, 65% of Grainger's revenue came from online channels and the company was ranked as the 11th largest e-retailer in North America, according to *Internet Retailer*¹. Through Grainger.com, eProcurement connections, KeepStock solutions, and mobile applications, the company continues to develop online capabilities that promote a personalized, relevant, effortless experience for each customer.

¹ *Internet Retailer* ranking is based on 2019 revenue.

High-Touch Solutions

Differentiated Sales and Services

Grainger's competitive advantage with complex customers depends upon its ability to build deep customer relationships that deliver value. Grainger helps customers solve problems every day through its inside and outside sales force, inventory management solutions, technical support and services, and ability to connect Grainger.com directly to customers' procurement systems. Customers rely on Grainger to help them improve productivity, drive compliance, reduce complexity, and save money.

Building Relationships

Sales Force

Customers appreciate Grainger's ability to understand their biggest challenges and help them solve problems.

OUTSIDE SALES FORCE

- > 3,100 professionals in North America
- Focus on large customers with more complex purchasing requirements
- Understand customer-specific segments and geographies
- Form in-person relationships

INSIDE SALES FORCE

- > 480 professionals in North America
- Focus on making more frequent contact with a larger number of medium customers at lower cost per contact
- Form relationships over the phone

KeepStock

Grainger's inventory management solution, KeepStock, helps customers reduce their MRO spend by analyzing consumption data, automating the procurement process, and ensuring a customer's required materials are on hand.

- KeepStock inventory management solutions include onsite branches, vendor-managed inventory (VMI), customer-managed inventory (CMI), secure vending, managed MRO, and consignment.

EDI/ePRO

Customers with sophisticated purchasing platforms use eProcurement to communicate directly with our websites.

- The direct connection provides a simple and efficient ordering experience for customers.

~60%

U.S. revenue from customers with one or more embedded solutions (e.g., KeepStock, EDI/ePro)

Technical Solutions and Support

Customers rely on Grainger's specialized technical resources to answer questions, provide expertise, and help them find solutions.

- Trained and certified field-based specialists provide expertise and solutions in safety, energy management, and metalworking.
- A network of knowledgeable internal specialists helps customers across the entire product portfolio.
- A value-documentation tool helps quantify the value provided to customers through activities such as inventory management, energy management, and safety solutions.
- Customer surveys highlight that businesses place significant value on the technical expertise they receive from Grainger.

Unparalleled Customer Service

Feedback from customer surveys consistently highlights Grainger's best-in-class fulfillment as a competitive differentiator.

Grainger's industry-leading fulfillment capabilities allow the company to ship orders complete to simplify the customer receiving process and reduce total shipments, while delivering quickly to customers.

Over the past decade, Grainger has invested strategically in its network to ensure optimal capacity, increased automation, and standardization in response to the need for on-demand delivery of products. The new distribution center in Louisville, KY opened in 2020 and will enhance the already robust Grainger distribution center network, enabling the company to stock 700,000 products and deliver critical next-day air to customers in the U.S.

Under its customer service model, Grainger is also committed to improving its impact on the environment through sustainability goals and reporting of operational metrics. As a result, the company ships fewer boxes over fewer miles, which directly translates into a benefit for Grainger and its customers.



High-Touch Solutions

Geographic Overview – North America

United States

Grainger's business in the U.S. consists of a network of 287 branches, 17 distribution centers, and nearly 16,000 team members. With 2020 external sales of \$8.6 billion, the U.S. business represents 73% of Grainger's total revenue. The U.S. business includes Grainger's sales to large and medium customers in the U.S., which make up about \$8.4 billion in revenue.

Grainger defines its U.S. customers by two elements:

- 1) whether a customer has a contract and
- 2) the size of the customer site

DEFINING U.S. LARGE AND MEDIUM CUSTOMERS

(As of December 31, 2020)

■ **U.S. LARGE** ~\$7.3 billion in revenue

■ **U.S. MEDIUM** ~\$1.1 billion in revenue

CONTRACT	NONCONTRACT		2020 REVENUE (MRO potential in \$/year)
~\$5.1B	~\$1.1B	>	> \$60K
~\$0.9B	~\$0.6B		\$10–\$60K
~\$0.3B	~\$0.5B	<	< \$10K

Numbers may not sum due to rounding.



U.S. LARGE

U.S. Large customers tend to be more complex and require services at their place of business. Large customers value Grainger's partnership approach, which focuses on reducing total cost of ownership in MRO spend by helping them manage their labor, product, and inventory costs. The U.S. Large market is estimated at \$75 billion, and Grainger has roughly 9% share.

U.S. MEDIUM

U.S. Medium, or midsize, customers tend to be less complex than large customers and want a purchasing experience that gives them peace of mind that their immediate business problems will be solved. The U.S. Medium market is estimated at \$54 billion and Grainger has roughly 3% share.



Canada

Grainger's business in Canada, now operating as Grainger Canada, consists of a network of 49 branches, five distribution centers, and nearly 1,500 team members. The team is focused on diversifying the customer base and taking advantage of the connection to the size and scale of the company's U.S. business to improve the customer experience. Grainger Canada had revenue of \$476 million (USD) in 2020 and has shown significant improvement in service and customer experience.

Mexico

Grainger's Mexico business consists of a network of 18 branches, two distribution centers, and nearly 800 team members. In 2019, the company used a period of economic slowing to reset its go-to-market strategy, significantly reducing cost and developing a new model for calling on large and midsize customers. The Mexico business had revenue of \$138 million (USD) in 2020.



Endless Assortment

User-friendly online platform with expansive product line

Grainger's **Endless Assortment model** makes the diverse indirect materials purchasing process for businesses easy through a streamlined and transparent online relationship that provides access to everything a customer needs. The primary businesses in the Endless Assortment portfolio include MonotaRO¹ in Japan and Zoro in the U.S.

The Endless Assortment model differs from the High-Touch Solutions model in several ways. These differences include:

- Expansive product categories that extend beyond traditional MRO.
- Service provided primarily through online channels.
- Consumer-like website experience that is tailored to help businesses address their specific needs across a wide variety of industries.
- Competitive and transparent pricing to all customers.
- Enhanced data science and analytics to drive customer acquisition and retention.



This segment is focused on the following three tenets as it aims to grow 20% annually over the next three to five years:

1

Broaden the product offering at Zoro and optimize assortment at MonotaRO, and;



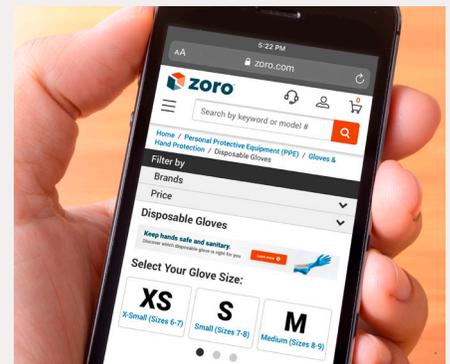
2

Attract and retain high-value customers within the core small to midsize business segment, and;



3

Continue to improve the customer experience through enhanced search and selection on our websites, while also providing outstanding fulfillment capabilities.



¹ MonotaRO is owned 50.5% by W.W. Grainger. Results are fully consolidated and then a portion is removed as earnings associated with noncontrollable interest on the income statement. MonotaRO's results are reflected in U.S. GAAP and reported one-month in arrears. Results will differ from MonotaRO's externally reported financials which follow Japanese GAAP.

Endless Assortment



Zoro U.S. Highlights

Zoro continues to execute on its growth initiatives, including:

- Accelerating its positioning as an Endless Assortment business focused on small-to-medium customers who want a streamlined purchase experience.
- Improved marketing capabilities resulting in improved ROI and higher customer repeat rates.
- Aggressively expanding product assortment with a goal to offer over 8 million products by year-end 2021.
- Building third party supplier partnerships to help execute an Endless Assortment model.
- Leveraging the MonotaRO playbook to improve the fundamental growth and profitability of the business.



\$717 million

2020 REVENUE

12%

DAILY REVENUE GROWTH
VERSUS 2019

~6
million
(available)

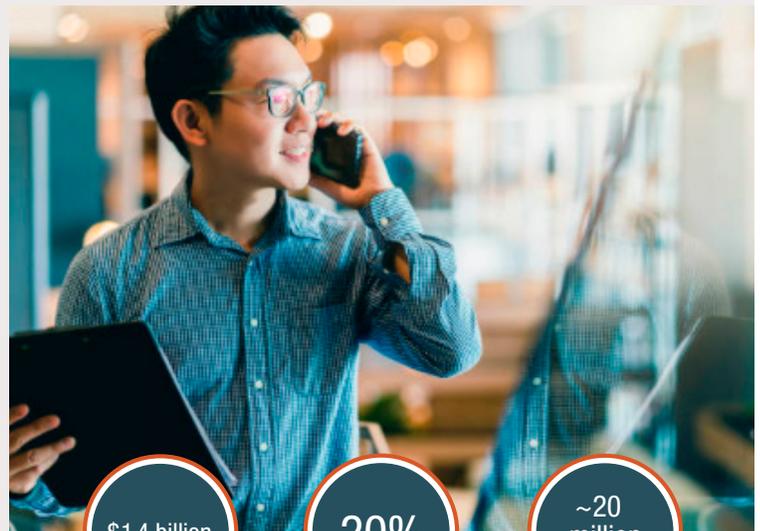
PRODUCT OFFERING
SKUS



MonotaRO Highlights

MonotaRO continues to execute its successful playbook including:

- Optimizing the superior product offering by strategically adding SKUs and expanding the range of private brand solutions.
- Creating a highly effective, customer-focused experience through online search and recommendation capabilities.
- Expanding the DC footprint to improve product availability and shorten delivery times.
- Attracting and retaining high-value customers by utilizing data science to improve digital marketing capabilities.
- In addition to focusing on small-to-medium business customers, targeting significant growth with Enterprise (large) customers.



\$1.4 billion

2020 REVENUE

20%

DAILY REVENUE GROWTH
VERSUS 2019

~20
million
(available)

PRODUCT OFFERING
SKUS

2020 Year in Review

2020 was a year filled with challenges and uncertainty as a result of the coronavirus pandemic. Through it all, Grainger demonstrated agility, resilience, and a steadfast focus on supporting its customers and team members. At the start of the pandemic, the company laid out three basic priorities: to serve our customers well, support our team members, and ensure we remain strong financially. Grainger prioritized product, such as personal protective equipment, for healthcare workers, first responders, and government agencies and supported food manufacturers, online retailers, and transportation companies that delivered critical supplies to impacted communities. While these priorities challenged profitability, it was the right thing to do to help get to the other side of the pandemic. Despite the challenges of the pandemic, the company successfully balanced its financial profitability with its commitment to customers and team members, gained significant share in the U.S., and delivered impressive growth in the Endless Assortment businesses.



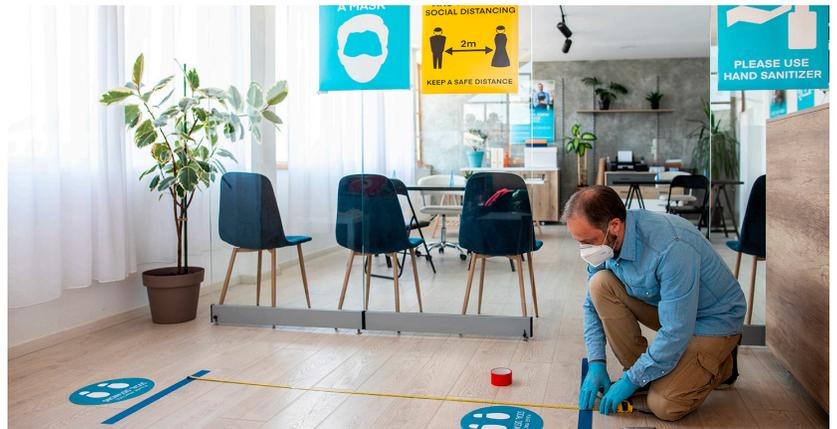
In 2020, the company drove 3.6% organic daily sales growth, propelled by strong sales of pandemic products and continued solid overall growth in the Endless Assortment businesses. During the year, however, gross margin was pressured by the pandemic headwinds, and while this was partially offset by operating expense leverage, ultimately the company saw a decrease in adjusted operating margin of approximately 80 basis points over the prior year.

The company's cash flow for 2020 continued to be strong, generating over a billion dollars in operating cash, a majority of which was returned to shareholders in the form of dividends and share repurchases.

The business in the U.S. outgrew the MRO market by approximately 800 basis points in 2020, far exceeding the growth objectives to outpace the market by 300–400 basis points. This outgrowth was aided by significant pandemic-related volume, some of which was related to large one-time orders that are not likely to recur. The company estimates that these pandemic related sales provided ~250 basis points of outgrowth in 2020.

Lastly, the Endless Assortment businesses grew daily sales by 18% in 2020, driven by strong growth at both MonotaRO and Zoro. These businesses also increased adjusted operating margin by 145 basis points over 2019, as the business maintained adjusted gross profit margins year over year and gained SG&A leverage.

In 2020, Grainger demonstrated its ability to deliver in tough economic times. Overall, 2020 was a challenging year, but it was not without its achievements. Grainger remained focused in a time of uncertainty and was successful in supporting customers and team members alike as well in making progress on strategic initiatives. In 2021, Grainger expects that business performance will improve sequentially as the pandemic subsides throughout the year.



Creating Shareholder Value

Grainger continues to create value for its shareholders with its solid annual results, strong balance sheet, and commitment to corporate responsibility. In 2020, Grainger announced its 49th year of consecutive dividend increases and even though paused for a majority of the year, restarted its stock buyback program in the fourth quarter, returning a combined \$0.9 billion to shareholders. Additionally, Grainger furthered its commitment to corporate responsibility by creating the ESG Leadership Council, continuing service in the community, and announcing new programs to ensure diversity, equity and inclusion in team member hiring and development.

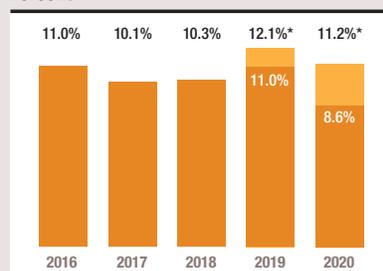
SALES

Dollars in billions



OPERATING MARGIN¹

Percent



CASH FLOW FROM OPERATIONS

Dollars in billions



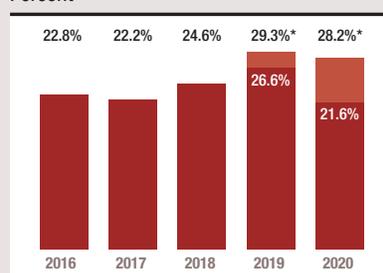
EARNINGS PER SHARE – DILUTED¹

Dollars



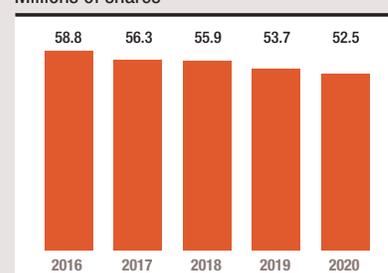
ROIC¹

Percent



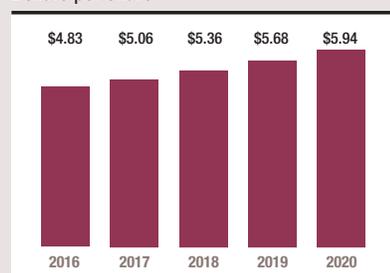
SHARES OUTSTANDING (at year-end)

Millions of shares



DIVIDENDS PAID

Dollars per share



* Lower number represents reported figure; upper number represents adjusted figure. Reconciliations of the adjusted measures reflected on this page to the most directly comparable GAAP measures are provided on page 13 of this Fact Book.

¹ For a reconciliation of non-GAAP measures reflected on this page and ROIC definition see "Financial Definitions and Non-GAAP Reconciliation" on page 13.

Safe Harbor Statement

All statements in this Fact Book, other than those relating to historical facts, are "forward-looking statements." Forward-looking statements can generally be identified by their use of terms such as "estimate," "believe," "expect," "could," "may," "plan," "will" or "would" and similar terms and phrases. Forward-looking statements are not guarantees of future performance and are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from such statements. Forward-looking statements include, but are not limited to, statements about assumptions, future strategic plans and future financial and operating results.

Important factors that could cause actual results to differ materially from those presented or implied in the forward-looking statements include, without limitation: the unknown duration and health, economic, operational and financial impacts of the global outbreak of the coronavirus disease 2019 (COVID-19) on the company's businesses, its employees, customers or suppliers; higher product costs or other expenses; a major loss of customers; loss or disruption of sources of supply; changes in customer or product mix; increased competitive pricing pressures; failure to develop or implement new technology initiatives or business strategies; failure to adequately protect intellectual property or successfully defend against infringement claims; fluctuations or declines in the company's gross profit percentage; the company's responses to market pressures; the outcome of pending and future litigation or governmental or regulatory proceedings; investigations, inquiries, audits and changes in laws and regulations; failure to comply with laws, regulations and standards; government contract matters; disruption of information technology or data security systems involving the company or third parties on which the company depends; general industry, economic, market or political conditions; general global economic conditions including tariffs and trade issues and policies; currency exchange rate fluctuations; market volatility, including price and trading volume volatility or price declines of the company's common stock; commodity price volatility; labor shortages; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; other pandemic diseases or viral contagions; natural or human induced disasters, extreme weather and other catastrophes or conditions; failure to attract, retain, train, motivate, develop or transition key employees; loss of key members of management or key employees; changes in effective tax rates; changes in credit ratings or outlook; the company's incurrence of indebtedness and other factors that can be found in our filings with the Securities and Exchange Commission, including our most recent periodic reports filed on Form 10-K and Form 10-Q, which are available on our Investor Relations website.

Forward-looking statements are given only as of the date of this communication and we disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.



Historical Financial Summary *(As reported)*

	2020	2019	2018	2017	2016
FINANCIAL SUMMARY (\$M)					
Net sales	\$11,797	\$11,486	\$11,221	\$10,425	\$10,137
Earnings before income taxes	947	1,209	1,081	936	1,019
Income taxes	192	314	258	313	386
Net earnings attributable to W.W. Grainger, Inc.	695	849	782	586	606
Working capital	2,220	2,092	1,898	1,669	1,722
Additions to property, buildings and equipment and capitalized software	197	221	239	237	284
Depreciation and amortization	165	210	234	241	223
Current assets	3,919	3,555	3,557	3,206	3,020
Total assets	6,295	6,005	5,873	5,804	5,694
Shareholders' equity	2,093	2,060	2,093	1,828	1,906
Cash dividends paid	338	328	316	304	303
Long-term debt (less current maturities)	2,389	1,914	2,090	2,248	1,841

PER SHARE (\$)					
Earnings – basic	12.88	15.39	13.82	10.07	9.94
Earnings – diluted	12.82	15.32	13.73	10.02	9.87
Cash dividends paid	5.94	5.68	5.36	5.06	4.83
Book value	39.85	38.37	37.47	32.45	32.41
Year-end stock price	408.34	338.52	282.36	236.25	232.25

Ratios

Percent of return on average shareholders' equity	33.5	40.9	39.9	31.4	28.5
Percent of return on average total capitalization	14.7	18.8	18.1	14.0	14.6
Earnings before income taxes as a percent of net sales	8.0	10.5	9.6	9.0	10.1
Earnings as a percent of net sales	5.9	7.4	7.0	5.6	6.0
Cash dividends paid as a percent of net earnings	48.6	38.6	40.4	52.0	50.0
Total debt as a percent of total capitalization	55.6	54.3	51.5	56.2	54.1
Current assets as a percent of total assets	62.3	59.2	60.6	55.2	53.0
Current assets to current liabilities	2.7	2.1	2.4	2.1	1.9
Average inventory turnover – FIFO	3.3	3.3	3.3	3.3	3.1
Average inventory turnover – LIFO	4.5	4.4	4.6	4.5	4.3

OTHER DATA

Average number of shares outstanding – basic	53,508,750	54,666,045	56,142,604	57,674,977	60,430,892
Average number of shares outstanding – diluted	54,098,335	54,934,069	56,534,185	57,983,167	60,839,930
Number of employees	23,100	25,300	24,600	24,700	25,600
Number of outside sales representatives	4,204	4,549	4,620	4,452	4,785
Number of branches	407	438	457	500	598
Number of products in the Grainger catalog issued February 1	345,912	356,625	367,000	365,000	383,000

Note: See the company's current and prior years' Annual Report on Form 10-K for changes in accounting and other adjustments.



Financial Definitions and Non-GAAP Reconciliation

	Twelve Months Ended December 31, 2020		Twelve Months Ended December 31, 2019	
		Operating Margin %		Operating Margin %
Operating earnings reported	\$1,019	8.6%	\$1,262	11.0%
Restructuring, net, impairment charges, and business divestiture (gains) losses	308	2.6%	126	1.1%
Operating earnings adjusted	\$1,327	11.2%	\$1,388	12.1%

	Twelve Months Ended December 31,	
	2020	2019
Net earnings reported	\$695	\$849
Restructuring, net, impairment charges, and business divestiture (gains) losses	182	109
Operating earnings adjusted	\$877	\$958

	Twelve Months Ended December 31,	
	2020	2019
Net earnings reported	\$12.82	\$15.32
Pretax restructuring, net, impairment charges, and business divestiture (gains) losses	5.68	2.26
Tax effect ¹	(2.32)	(0.29)
Total, net of tax	3.36	1.97
Operating earnings adjusted	\$16.18	\$17.29

	Twelve Months Ended December 31,	
	2020	2019
Reported sales	2.7%	2.4%
Day impact	(0.4)%	0.0%
Daily sales	2.3%	2.4%
Business divestitures ²	1.3%	0.0%
Organic daily sales	3.6%	2.4%

¹ The tax impact of adjustments and impairments are calculated based on the income tax rate in each applicable jurisdiction, subject to deductibility limitations and the company's ability to realize the associated tax benefits.

² Represents the results of the Fabory business (divested on 6/30/2020) and the Grainger China business (divested on 8/21/2020).

Note: The reconciliations above provide the information necessary to reconcile reported SG&A to adjusted SG&A, therefore no separate reconciliation is provided.

Note on ROIC

Adjusted ROIC means the company's return on invested capital calculated using operating earnings, adjusted (as reconciled to its most directly comparable GAAP measure in Part II, Item 7 of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020). The GAAP financial statements are the source for all amounts used in the Return on Invested Capital (ROIC) calculation. ROIC is calculated using operating earnings divided by net working assets (a 5 point average for the year to date). Net working assets are working assets minus working liabilities defined as follows: working assets equal total assets less cash equivalents (5 point average of \$745.2 million), deferred taxes, and investments in unconsolidated entities, plus the LIFO reserve (5 point average of \$443.6 million). Working liabilities are the sum of trade payables, accrued compensation and benefits, accrued contributions to employees' profit-sharing plans, and accrued expenses.



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