W.W. Grainger, Inc.
2024 Annual Meeting of Shareholders
April 24, 2024

Remarks of D.G. Macpherson, Chairman and Chief Executive Officer

As a reminder, some of our comments today may be forward-looking based on our current view of future events. Actual results may differ materially as a result of various risks and uncertainties, including those detailed in our SEC filings.

I would also like to remind everyone that tomorrow morning we plan to release our Q1 2024 results so my company update today will reflect solely on our 2023 performance.

In 2023, the Grainger team continued to drive our strategy forward by remaining focused on what matters most - providing our customers with a great experience and exceptional service.

Throughout the year, we continued to make progress on building new capabilities in both segments to help our customers and team members support the work they do. We've done this by investing in technology, our supply chain network and our growth engines to ensure we can provide the best experience possible.

A few highlights within the High-Touch model include -

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- We've reviewed roughly 80 percent of the overall product portfolio at least once as part of our re-merchandising initiative, and plan to finish collectively reviewing the entire assortment by the time we close out 2024.
- We increased marketing spend, putting a particular emphasis on expanding top-of-funnel efforts to TV and streaming channels to further increase brand awareness.
- We redrew some seller territories to better serve underpenetrated customer locations – resulting in the addition of over 200 new sales team members over the last year and a half.
- We made great progress to return supply chain service back to near-normal levels following the unprecedented global supply chain disruption that our industry experienced over the last few years.
- We announced the addition of two new distribution centers and three bulk warehouses, which when completed, will add roughly 3.5 million square feet to our supply chain network in total – representing more than a 35 percent increase from where we began 2023.

In the Endless Assortment Business -

- MonotaRO saw strong growth with Enterprise customers while continuing to expand with small and mid-sized customers, all while gaining operating leverage as they ramped into their new distribution center in Inagawa.
- The Zoro team also progressed on their strategy – expanding the assortment, attracting new customers, and improving B2B customer retention.

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As a result of these advances and continued operational execution, we delivered record sales and earnings for the year. This included $16.5 billion in sales, up 8.6 percent on a daily basis or 9.5 percent in daily, organic constant currency amidst a normalizing demand environment. Growth for the year was highlighted by our High-Touch Solutions - U.S. business which continued to gain profitable share, finishing the year with 525 basis points of market outgrowth, exceeding our annual target of 400-500 basis points.

Alongside the strong top-line, the team also did a great job managing profitability through the year with operating margins up 130 bps in 2023, finishing the year at 15.7 percent.

Together, these strong results fueled record earnings, ROIC, and cash flow. For the year, adjusted EPS was up over 23 percent to $36.67 per share, ROIC finished at 42.8 percent and operating cash flow was over $2.0 billion which allowed us to return $1.2 billion to shareholders through dividends and share repurchases.

Finally, I think it's important to reinforce how the Grainger Edge is truly the key to all our success. Every day, our purpose—We Keep the World Working—motivates us to do our best for our customers, communities and each other. That commitment has driven a culture we are very proud of, and one that's continually getting noticed externally. This includes the recent announcement, that for the third year in a row, Grainger has been named one of Fortune 100 Best Companies to Work For® in 2024. I want to congratulate the team on their commitment to serving our customers.

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Overall, 2023 was a great year and a byproduct of a lot of hard work from our entire team. I am very proud of what we have been able to accomplish and expect to drive great outcomes for our stakeholders in 2024 and beyond.

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