NYSE: GWW

Q4 2020
Earnings Call

February 3, 2021

GRAINGER®

Safe Harbor Statement and Non-GAAP Financial Measures

All statements in this communication, 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 “anticipate,” “estimate,” “believe,” “expect,” “could,” “forecast,” “may,” “intend,” “plan,” “predict,” “project” “will” or “would” and similar terms and phrases, including references to assumptions. 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 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”) as well as the duration, extent and impact of actions taken or contemplated by governmental authorities or others in connection with the COVID-19 pandemic, in each case, on the company’s businesses, its employees, customers and suppliers, including disruption to our operations resulting from employee illnesses, the development and availability of effective treatment or vaccines, any mandated facility closures of non-essential businesses, stay in shelter health orders or other similar restrictions for customers and suppliers, changes in customers' product needs, suppliers' inability to meet unprecedented demand for COVID-19 related products, inventory shortages, the potential for government action to allocate or direct products to certain customers which may cause disruption in relationships with other customers, disruption caused by business responses to the COVID-19 pandemic, including working remote arrangements, which may create increased vulnerability to cybersecurity incidents, including breaches of information systems security, adaptions to the company's controls and procedures required by working remote arrangements, including financial reporting processes, which could impact the design or operating effectiveness of such controls or procedures, and global or regional economic downturns or recessions, which could result in a decline in demand for the company's products or limit the company's ability to access capital markets on terms that are attractive or at all; 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, including with respect to wage and hour, anti-bribery and corruption, environmental, advertising, consumer protection, pricing (including disaster or emergency declaration pricing statutes), product liability, general commercial disputes, safety or compliance, or privacy and cybersecurity matters; 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 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 and other catastrophes; unanticipated and/or extreme weather 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.

Additional information relating to certain non-GAAP financial measures referred to in this presentation, including organic daily sales, daily sales in constant currency, adjusted gross profit, adjusted gross profit margin, adjusted selling, general and administrative expenses, adjusted selling, general and administrative expenses operating margin, adjusted operating earnings, adjusted segment operating earnings, adjusted operating margin, free cash flow, adjusted return on invested capital, EBITDA, adjusted EBITDA, effective tax rate, adjusted effective tax rate, adjusted net earnings and adjusted diluted earnings per share, is available in the appendix to this presentation and our most recent earnings release.

Opening Remarks

DG Macpherson
Chairman & CEO

2020 Year in Review

Strong enterprise-wide response in support of our customers and communities during unprecedented year

- Built and executed our pandemic-response playbook focused on serving our customers well, supporting our team members, and ensuring we remain strong financially
- Continued strong commitment to supporting our communities including monetary and product donations in response to pandemic

Progress on key initiatives drove 2020 results and lays foundation for future growth

- Strong progress on re-merchandising the assortment, an additional $1.6B in 2020
- Improved marketing effectiveness to help drive share gain
- Deepened customer relationships through embed strategies, like KeepStock services
- Expanded fulfillment capabilities with opening of Louisville DC
- Rapidly increased Zoro assortment by 2.5M SKUs (currently >6M total active SKUs)

FY 2020 Financial Highlights

Delivered strong operating results for FY 2020

- Achieved **organic daily sales growth of 3.5%** *(total company, constant currency)* (1)
  - **Outgrew broader U.S. MRO market by ~800 bps** aided by pandemic-related sales
  - Achieved **>18% daily sales growth in endless assortment** business
- Delivered operating margin of 11.2%, with **155 bps adjusted SG&A leverage** partially offsetting pandemic-fueled GP headwinds
- **Generated $1.1 billion in operating cash flow** while returning $939 million to shareholders through dividends and buybacks
- Maintained **strong adjusted ROIC of over 28%** *(total company)*
- **Divested unprofitable, non-core businesses** abroad

Note: See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding.
(1) Organic daily sales remove results for Fabory (post June 30) and Grainger China (post August 21) in the prior year period to reflect the completed divestitures.

Q4’20 Results

Dee Merriwether

SVP & CFO

Q4 2020 Adjusted Results: *Total Company*

Summary Results

($ in millions)	Q4 2020	Q4 2019	% vs. PY Fav/(Unfav)
Sales	$ 2,941	$ 2,847	3.3 % / 6.0 % [(1)]
GP	1,027	1,081	(5.1) %
SG&A	732	774	5.7 %
Op Earnings	$ 295	$ 307	(3.8) %
EPS	**$ 3.66**	**$ 3.88**	**(5.7) %**

(% of sales)	Q4 2020	Q4 2019	bps vs. PY Fav/(Unfav)
GP Margin	34.9 %	38.0 %	(310)
SG&A	24.9 %	27.2 %	235
Op Margin	10.0 %	10.8 %	(75)

Commentary

Organic daily sales up 6.0%, 5.6% in constant currency

- Results driven by strong performance in U.S. segment and endless assortment businesses
- Daily sales up 3.3% without adjusting for divestitures

GP margin rate down 310 bps driven primarily by U.S. pandemic-related headwinds

SG&A leverage of 235 bps with cost down $42 million

- Cost control actions across high-touch portfolio
- Leverage gains in endless assortment businesses

Resumed share repurchase program completing $500M in the quarter

Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding.
(1) Change in sales and change in organic daily sales.

Q4 2020 Adjusted Results: *U.S. Segment*

Summary Results

($ in millions)	Q4 2020	Q4 2019	% vs. PY Fav/(Unfav)
Sales	$ 2,247	$ 2,167	3.7 %
GP	802	835	(4.0) %
SG&A	515	529	2.8 %
Op Earnings	$ 287	$ 306	(6.1) %

(% of sales)	Q4 2020	Q4 2019	bps vs. PY Fav/(Unfav)
GP Margin	35.7 %	38.5 %	(290)
SG&A	22.9 %	24.4 %	155
Op Margin	12.8 %	14.1 %	(135)

Commentary

Daily sales up 3.7% vs. prior year

Gross profit margin was down 290 bps driven by:

- Pandemic-related headwinds due primarily to mix, freight surcharges, and inventory adjustments

SG&A leverage of 155 bps with cost down $14M

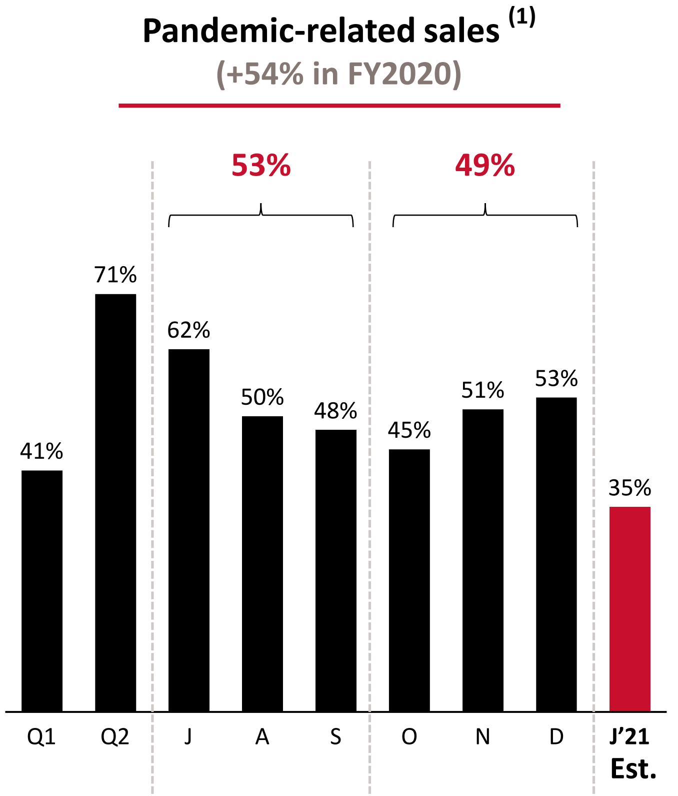
- Driven primarily by reduced travel, depreciation, and general operating efficiency

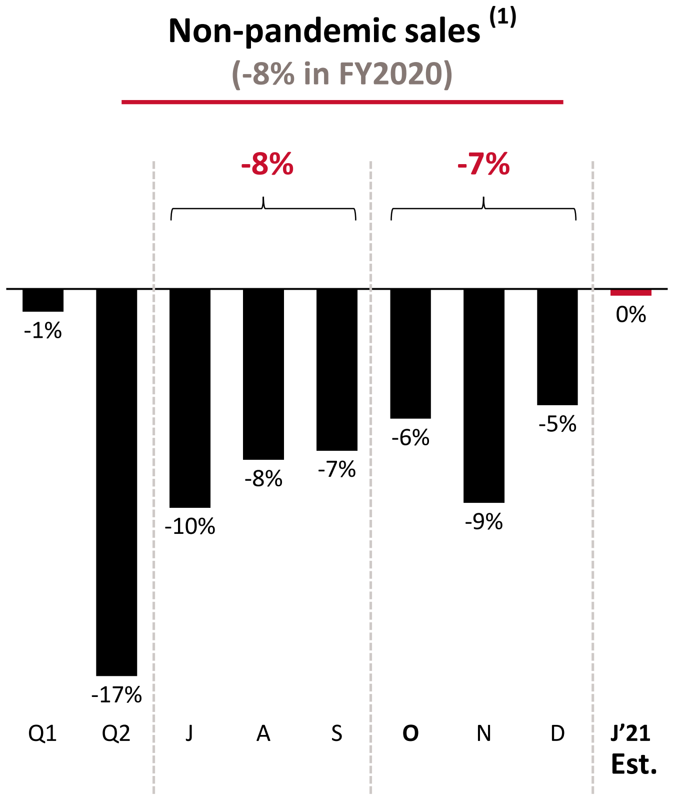
Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding.

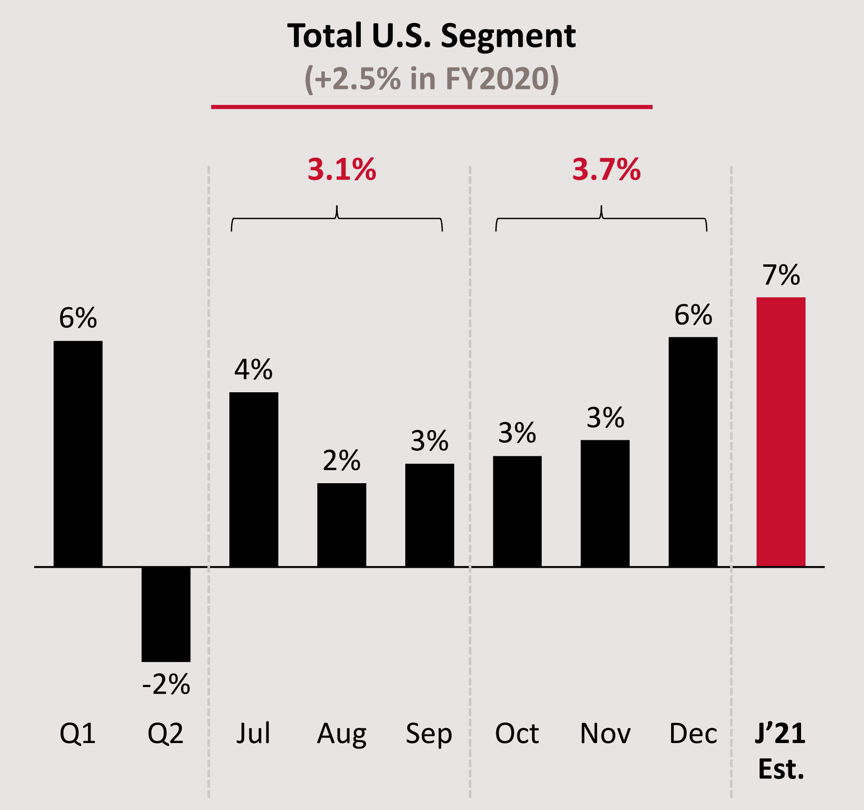
2020 Sales by Product: *U.S. Segment*

Non-pandemic sales continue to improve while demand for pandemic-related product remains elevated

(year-over-year change in daily sales)



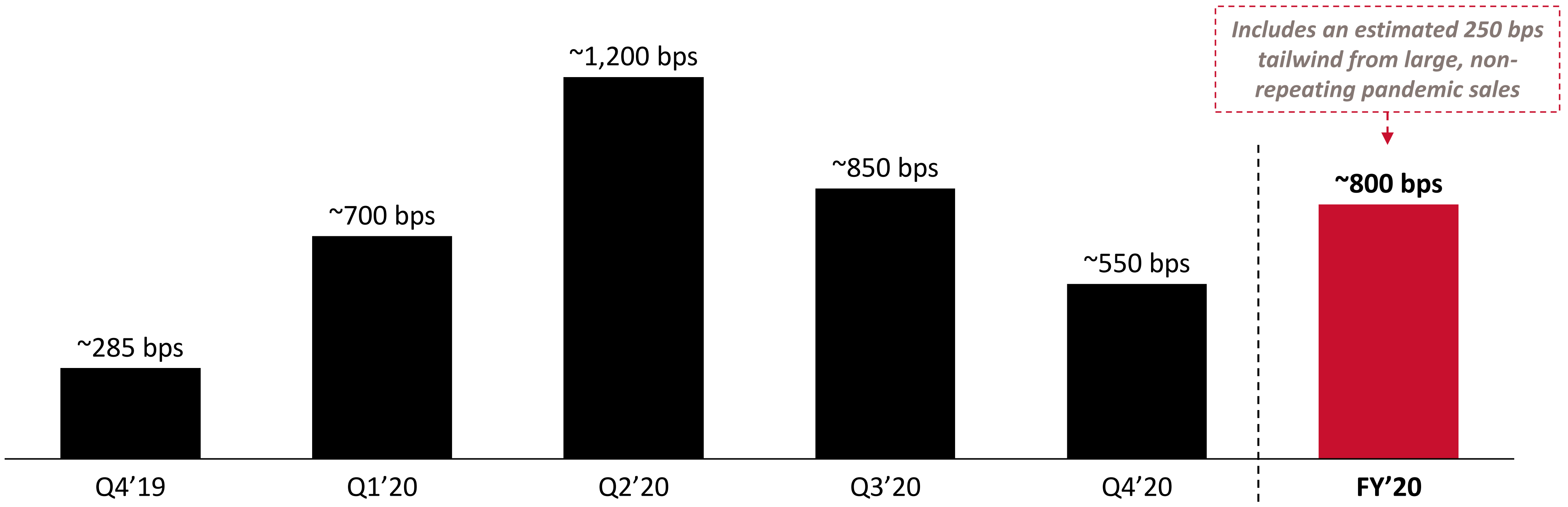




(1) Change in daily sales. Based on company's current categorization of SKUs for pandemic and non-pandemic products. These exclude specialty brands, intercompany sales and revenue recognition adjustments which are included in the U.S. segment.

Q4 2020 Sales Performance: *U.S. Segment*

U.S. Segment outgrew MRO market by an estimated ~800 bps aided by pandemic-related sales



	Q4’19	Q1’20	Q2’20	Q3’20	Q4’20	FY’20
U.S. MRO Market [1]	(1%) - 0%	(1.5%) - (1%)	(15%) - (14%)	(6%) - (5%)	(2.0%) - (1.5%)	**(6%) - (5%)**

(1) Company estimates using compilation of external market data. Outgrowth measured as U.S. segment daily sales growth less estimated U.S. MRO market growth.

Q4 2020 Adjusted Results: *Other Businesses*

Summary Results

($ in millions)	Q4 2020	Q4 2019	% vs. PY Fav/(Unfav)
Sales	$ 697	$ 682	2.3 % / 14.6 % (1)
GP	187	194	(3.7) %
SG&A	146	168	13.2 %
Op Earnings	$ 41	$ 26	58.5 %

(% of sales)	Q4 2020	Q42019	bps vs. PY Fav/(Unfav)
GP Margin	26.9 %	28.6 %	(170)
SG&A	21.0 %	24.8 %	380
Op Margin	5.9 %	3.8 %	210

Other businesses include Grainger's endless assortment businesses, including Zoro (primarily in U.S.) and MonotaRO (in Japan), as well as the company's international high-touch portfolio comprised of small businesses in United Kingdom and Mexico.

Commentary

Organic daily sales increased 14.6%, 13.0% on a constant currency basis

- Endless assortment daily sales grew 20.2%
- International high-touch businesses remain depressed, but continue to improve from pandemic-induced lows
- Daily sales up 2.3% without adjusting for divestitures

Operating profit margin up 210 bps due to:

- Improved gross margin at Zoro as business implements MonotaRO playbook
- Significant SG&A leverage in endless assortment businesses

Changes in GP and SG&A margin rates vs. prior year reflect the divestiture of the Company's Fabory business which operated with higher gross margin rates, but with lower SG&A leverage. The net impact of these factors on operating profit margin was immaterial.

Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding.
(1) Change in sales and change in organic daily sales.

Q4 2020 Adjusted Results: *Canada Segment*

Summary Results

($ in millions)	Q4 2020	Q4 2019	% vs. PY Fav/(Unfav)
Sales	$ 124	$ 129	(3.2) %
GP	38	52	(27.6) %
SG&A	39	44	12.0 %
Op Earnings	$ (1)	$ 8	(111.9) %

(% of sales)	Q4 2020	Q4 2019	bps vs. PY Fav/(Unfav)
GP Margin	30.8 %	41.2 %	(1,040)
SG&A	31.6 %	34.7 %	315
Op Margin	(0.8) %	6.4 %	(725)

Commentary

Daily sales down 3.2%, down 4.4% on a constant currency basis

- Continued recovery from pandemic-lows
- Gaining traction from customer diversification efforts

Gross profit margin down 1,040 bps driven by:

- Lapping one-time, prior year supply chain efficiencies
- Pandemic-related headwinds

Gained SG&A leverage of 315 bps with $5M of cost reductions from lower labor-related and T&E spend

Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding.

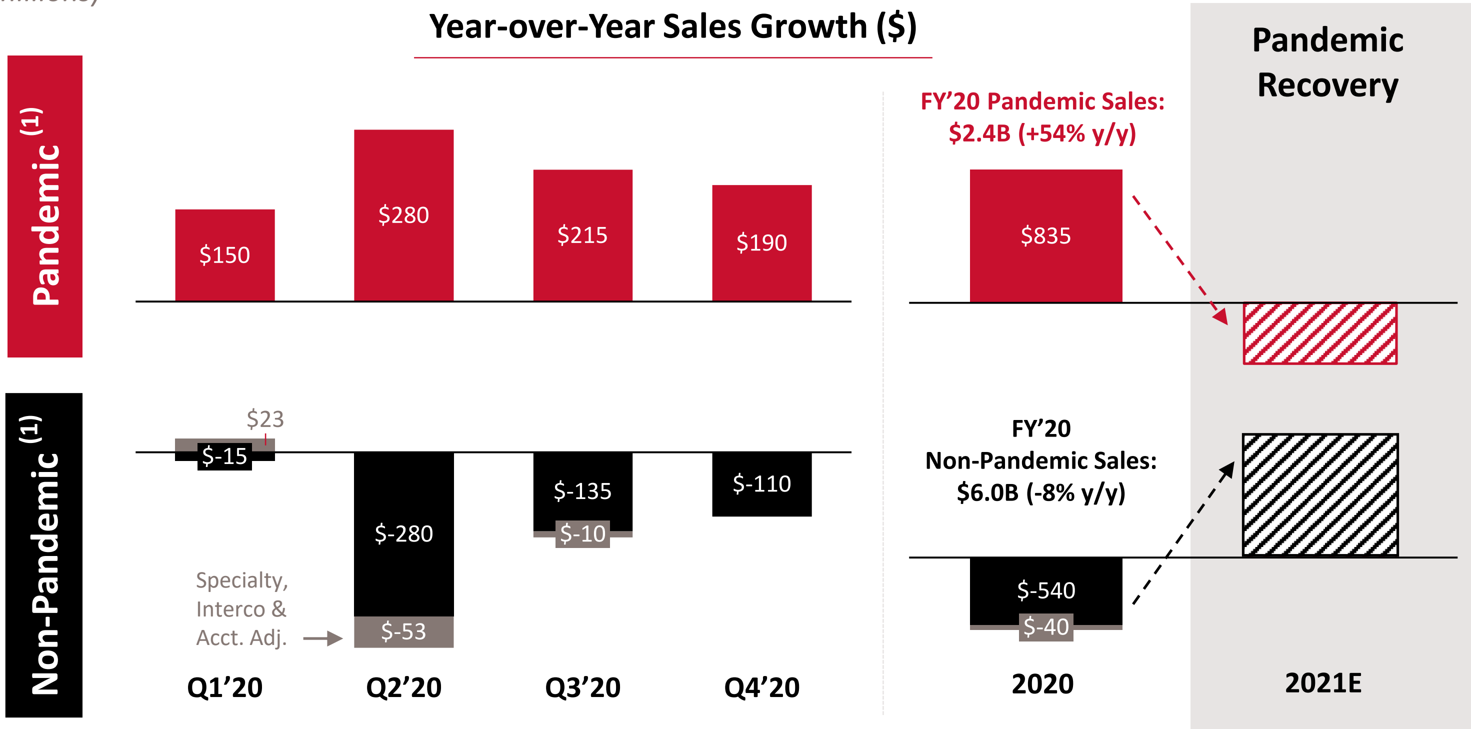
Looking Forward

Dee Merriwether
SVP & CFO

2021 Outlook: *U.S. Segment Sales*

Expect non-pandemic product recovery in 2021 will more than offset lapping of PY pandemic sales

($ millions)



	Q1'20	Q2'20	Q3'20	Q4'20	2020	2021E
Sales Growth (2)	+5.7%	-2.4%	+3.1%	+3.7%	+2.5%	
Pandemic Mix (1)	25%	33%	28%	28%	28%	~20% Exit

Commentary

Pandemic volume surges throughout 2020 helped offset non-pandemic product declines

- Non-pandemic sales continue to improve from April lows

Expect 2021 growth to be fueled by continued non-pandemic recovery

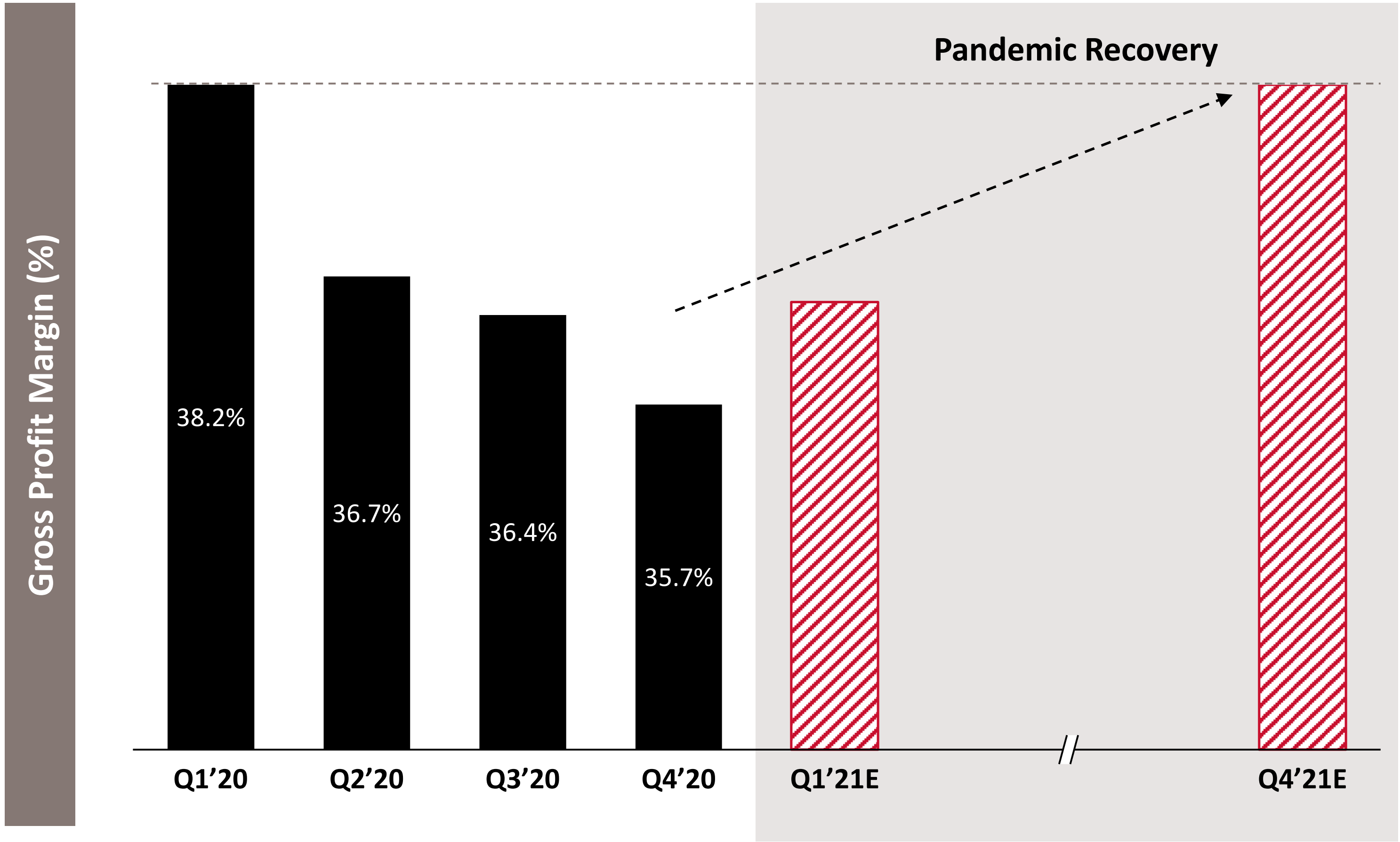
- More than offsetting lapping headwinds from prior year pandemic-related sales

Anticipate product mix to approach pre-pandemic levels toward end of 2021

(1) Based on company's current categorization of SKUs. Percent of total U.S. segment excluding specialty brands, intercompany sales and accounting adjustments.
(2) U.S. Segment daily sales growth.

2021 Outlook: *U.S. Segment GP*

Expect to exit 2021 with U.S. GP rates as high or higher than Q1 2020



Commentary

Majority of the 2020 GP decline resulted from significant pandemic-related headwinds

- Headwinds included unfavorable product mix, freight surcharges, and inventory adjustments

Expect Q1’21 GP will improve vs. Q4’20, with continued sequential improvement throughout the year

Expect to exit 2021 with GP rates near pre-pandemic levels

Note: This slide was updated (at 6PM on 2/3/2021) to correct and remove FY'19 GP performance which was previously misstated (actual result was 39.2% for FY’19).

Closing Remarks

DG Macpherson
Chairman & CEO

New GAAP reportable segments: *Starting in 2021*

Refreshing reportable segments to reflect growing size and importance of Endless Assortment business

Previous Structure

U.S.
- Grainger high-touch business

Canada
- Grainger high-touch business

Other Businesses (1)(2)
- MonotaRO (endless assortment)
- Zoro U.S. (endless assortment)
- Zoro U.K. (endless assortment)
- Cromwell (high-touch business in U.K.)
- Grainger Mexico (high-touch)

Unallocated Costs (1)

Starting Jan. 1, 2021

High-Touch North America
- Grainger high-touch businesses in U.S., Canada and Mexico

Endless Assortment
- MonotaRO
- Zoro U.S.
- Zoro U.K.

Other (1)(2)
- Cromwell

Commentary

New segments aligned with go-to-market strategies to meet varying customer needs

- High-Touch North America segment reflects integration of Grainger-branded businesses
- Endless Assortment segment provides greater visibility into high-growth model

Anticipated Timeline

- **March 8:** file recast segment financials
- **March 9:** host investor Q&A call
- **April 30:** report Q1'21 results with new segments

(1) Not classified as a reportable segment for GAAP purposes.
(2) Historical periods also include divested businesses, notably Fabory and Grainger China.

Executing near-term growth priorities

High-Touch | Driving consistent and profitable share gain

✓ **Accelerate merchandising**
- Re-merchandise an additional ~$1.5B in 2021
- Add targeted products

✓ **Improve marketing**
- Improve efficiency and effectiveness of marketing spend
- Acquire and grow mid-sized customers

✓ **Deepen customer relationships**
- Grow KeepStock installations
- Expand on-site services
- Improve multi-site customer execution
- Improve seller effectiveness
- Deploy customer segment playbooks

✓ **Improve Canada**
- Continue to implement best practices across N.A.
- Diversify customer base in Canada
- Drive continued service level improvements

Endless Assort. | Executing successful MonotaRO playbook

✓ **Improve customer experience**
- Continue to optimize search experience
- Launch new product and order management systems to improve experience at MonotaRO
- Expand MonotaRO's DC footprint to increase products with next-day availability

✓ **Expand assortment**
- Continue accelerated pace of SKU additions at Zoro (targeting >8M SKUs by year-end 2021)
- Surgically add SKUs to round out MonotaRO offering

✓ **Drive repeat and retention**
- Incorporate MonotaRO learnings into Zoro’s marketing/analytics program to drive repeat
- Strengthen data science talent

Path to long-term growth and value creation

Operational Execution

High-Touch North America

- ✓ U.S. share gain 300-400 bps above market
- ✓ Return Canada to profitability
- ✓ Post-pandemic GP margin (%) recovery
- ✓ Continued SG&A leverage *(grow at ½ the rate of sales)*

Endless Assortment

- ✓ ~20% top-line growth
- ✓ Ramp Zoro operating margin to high-single digits

Potential for high-single digit revenue growth with low-double digit earnings growth

+

Capital Allocation

Dividend Track Record

- ✓ Consistent yield with nearly 50-year history of consecutive dividend increases

+

Share Repurchase Potential

- ✓ Anticipate \$600 - \$700 million of share repurchase in FY 2021
- ✓ 3-year average of ~\$575M in repurchases per year [(1)]

Strong, consistent shareholder return

(1) Measured from 1/1/2018 to 12/31/2020.

Q&A

Appendix

FY 2020 Adjusted Results: *Total Company*

Summary Results

($ in millions)	FY 2020	FY 2019	% vs. PY Fav/(Unfav)
Sales	$ 11,797	$ 11,486	2.7 % / 3.6 % [1]
GP	4,238	4,397	(3.6) %
SG&A	2,911	3,009	3.3 %
Op Earnings	$ 1,327	$ 1,388	(4.4) %
EPS	**$ 16.18**	**$ 17.29**	**(6.4) %**

(% of sales)	FY 2020	FY 2019	bps vs. PY Fav/(Unfav)
GP Margin	35.9 %	38.3 %	(235)
SG&A	24.7 %	26.2 %	155
Op Margin	11.2 %	12.1 %	(80)

Commentary

Organic daily sales up 3.6%, 3.5% in constant currency

- Growth in U.S. segment and endless assortment businesses offset softness in Canada and Cromwell
- Daily sales up 2.3% without adjusting for divestitures

GP margin rate down 235 bps driven by:

- Pandemic-related headwinds and tariff-fueled cost inflation, primarily in our U.S. segment
- Business unit mix from growth in endless assortment

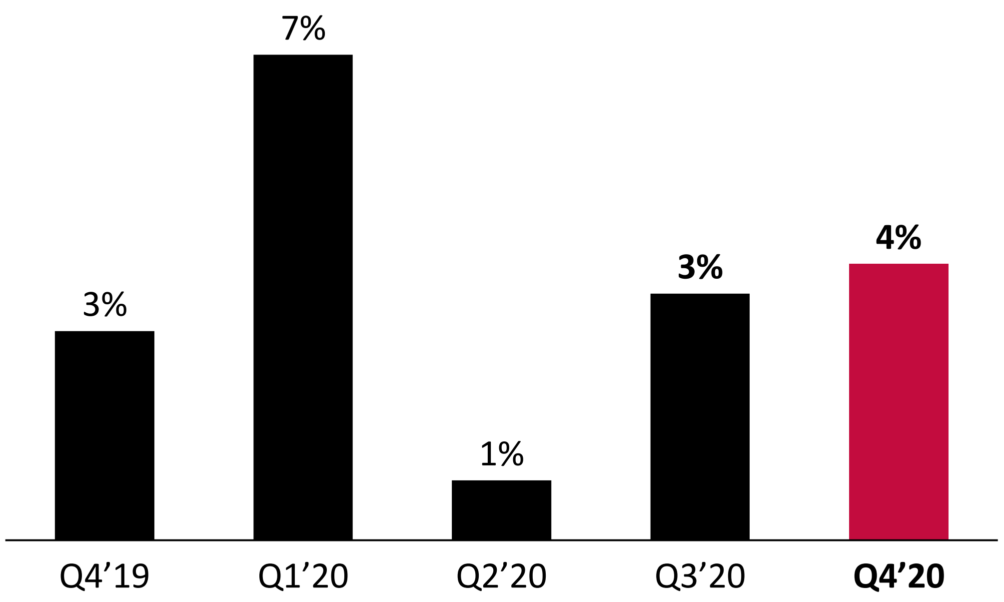
SG&A leverage of 155 bps with cost down $98 million

- Tight cost control amidst pandemic driven by lower labor related costs, reduced T&E and lower depreciation
- Leverage gains across every business unit

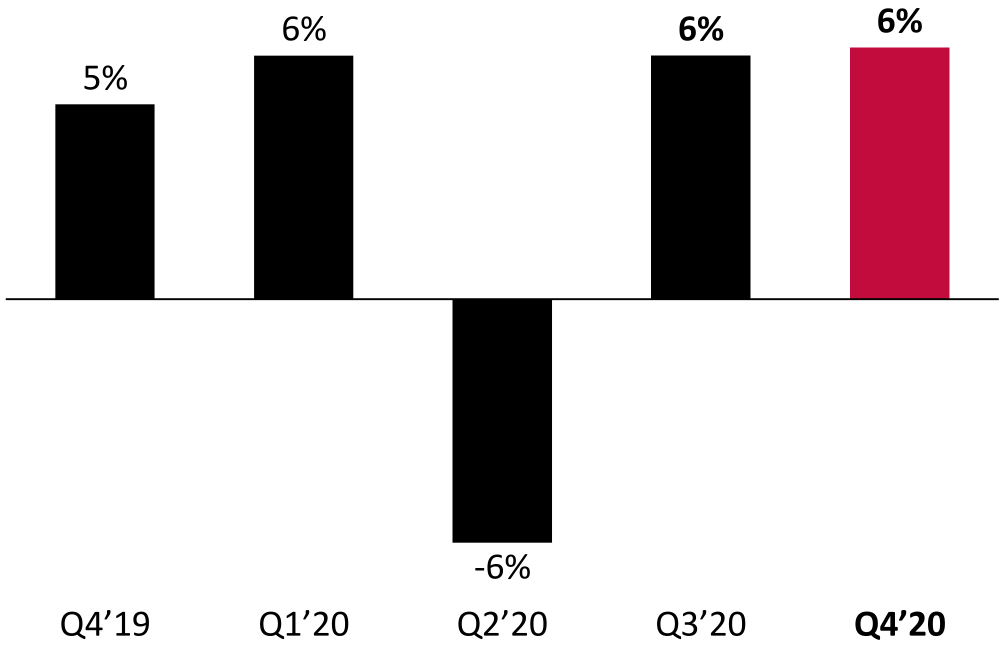
Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding.
(1) Change in sales and change in organic daily sales.

Q4 2020 Sales Performance: *U.S. Segment*

Large Customers [1]



Mid-sized Customers [1]



(1) Large customer revenue of $7.3 billion and Midsize customer revenue of $1.1 billion for the LTM period ending December 31, 2020. These numbers exclude specialty brands, intercompany sales and revenue recognition adjustments which are included in the U.S. segment.

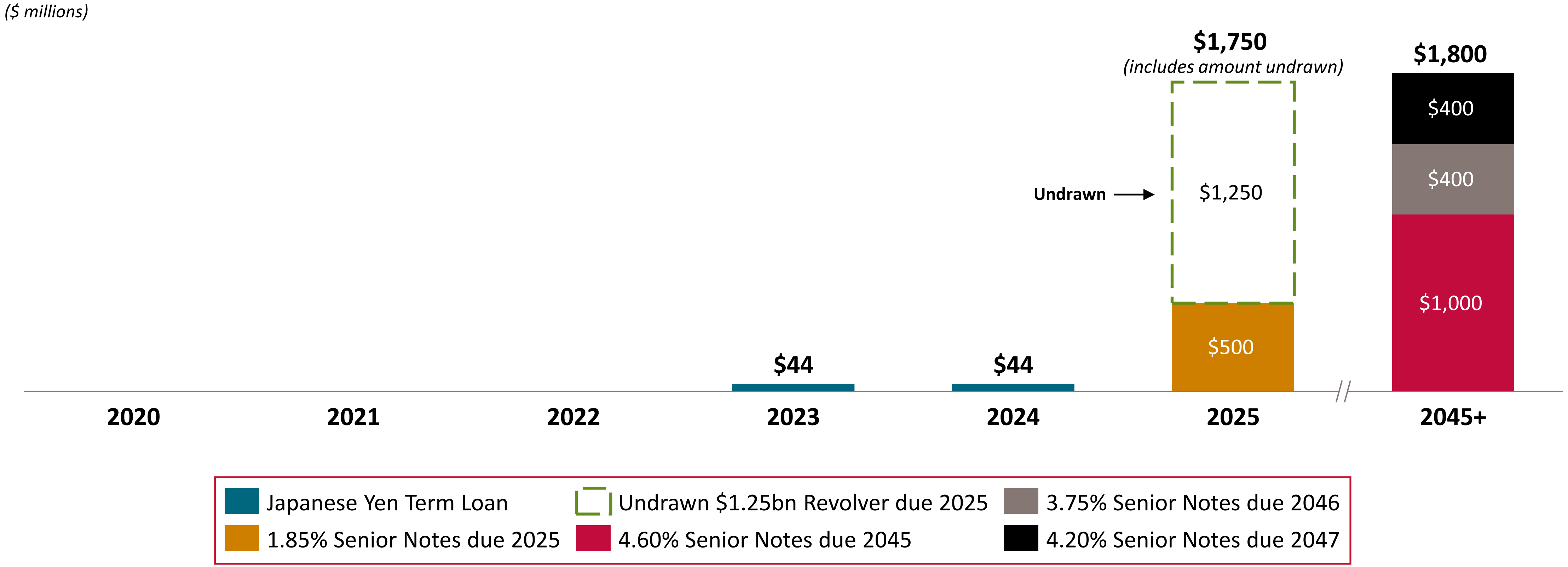
Q4 2020 U.S. Sales By Customer End Market

- **Retail (includes eCommerce businesses):** up High-Thirties
- **Wholesale*:** down Low-Single Digits
- **Commercial*** ***(includes hospitality, restaurants, business services)*****:** down Mid-Teens
- **Contractor:** down Mid-Single Digits
- **Government:** up Low-Double Digits
- **Healthcare:** up Mid-Twenties
- **Light Manufacturing:** up Mid-Single Digits
- **Heavy Manufacturing:** down Mid-Single Digits
- **Natural Resources:** down High-Teens
- **Transportation*:** down High-Single Digits

*Starting in Q2'20: the Wholesale, Commercial and Transportation end-markets, which were previously all included under the Commercial grouping, have been separated to increase transparency.

Debt Maturity Schedule (as of December 31, 2020) [(1)]

No significant debt maturities upcoming



(1) Carrying value of long-term debt. Excludes current portion of long-term debt ($8M) and non-current capital lease obigations ($6M)

Q4 2020 Year-over-Year Daily Sales V%

Q4 2020 Daily Sales (Total Company) (1)

Month	Reported Sales (U.S. Selling Days)	FX Impact	Constant Currency
October	2.6%	(0.2)%	2.4%
November	3.6%	(0.5)%	3.1%
December	4.3%	(0.7)%	3.6%
Q4 Daily Sales	**3.3%**	**(0.4)%**	**2.9%**

U.S. Selling Days

	2021	2020	2019
1Q	63	64	63
2Q	64	64	64
3Q	64	64	64
4Q	63	64	64
Full Year	**254**	**256**	**255**

Q4 2020 Daily Sales vs. Q4 2019 (1)

Drivers	Company	United States	Canada	Other Businesses
Volume/product mix	4.8%	2.5%	(3.4)%	13.0%
Price/customer mix	0.8%	1.2%	(1.0)%	—%
Foreign exchange	0.4%	—%	1.2%	1.6%
Organic daily sales	6.0%	3.7%	(3.2)%	14.6%
Business divestitures (2)	(2.7)%	—%	—%	(12.3)%
Daily sales	**3.3%**	**3.7%**	**(3.2)%**	**2.3%**
Foreign exchange	(0.4)%	—%	(1.2)%	(1.6)%
Constant currency	**2.9%**	**3.7%**	**(4.4)%**	**0.7%**
Organic constant currency	**5.6%**	**3.7%**	**(4.4)%**	**13.0%**
% of company revenue	*100%*	*72%*	*4%*	*24%*

(1) Based on U.S. selling days
(2) Represents the results of the Fabory business (divested on 6/30/2020) and the Grainger China business (divested on 8/21/2020)

FY 2020 Year-over-Year Daily Sales V%

FY 2020 Daily Sales vs. FY 2019 (1)

Drivers	Company	United States	Canada	Other Businesses
Volume/product mix	3.8%	2.8%	(8.4)%	9.0%
Price/customer mix	(0.3)%	(0.3)%	(1.0)%	—%
Foreign exchange	0.1%	—%	(0.9)%	0.4%
Organic daily sales	3.6%	2.5%	(10.3)%	9.4%
Business divestitures (2)	(1.3)%	—%	—%	(5.6)%
Daily sales	**2.3%**	**2.5%**	**(10.3)%**	**3.8%**
Foreign exchange	(0.1)%	—%	0.9%	(0.4)%
Constant currency	**2.2%**	**2.5%**	**(9.4)%**	**3.4%**
Organic constant currency	**3.5%**	**2.5%**	**(9.4)%**	**9%**
% of company revenue	*100%*	*73%*	*4%*	*23%*

(1) Based on U.S. selling days
(2) Represents the results of the Fabory business (divested on 6/30/2020) and the Grainger China business (divested on 8/21/2020)

Q4 2020 GAAP to Non-GAAP Reconciliations (1 of 5)

(in millions of dollars)	Three Months Ended December 31,			
	2020	Gross Profit %	2019	Gross Profit %
Gross profit reported	$ 1,027	34.9 %	$ 1,082	38.0 %
Restructuring (Canada)	—	—	(1)	—
Gross profit adjusted	$ 1,027	34.9 %	$ 1,081	38.0 %

(in millions of dollars)	Twelve Months Ended December 31,			
	2020	Gross Profit %	2019	Gross Profit %
Gross profit reported	$ 4,238	35.9 %	$ 4,397	38.3 %
Gross profit adjusted	$ 4,238	35.9 %	$ 4,397	38.3 %

(in millions of dollars)	Three Months Ended December 31,		%
	2020	2019	
Operating earnings reported	$ 275	$ 181	52 %
Restructuring, net (United States)	—	3	
Restructuring, net (Canada)	11	1	
Restructuring, net (Other businesses)	9	2	
Impairment charges (Other businesses)	—	120	
Subtotal[1]	20	126	
Operating earnings adjusted	$ 295	$ 307	(4)%

(in millions of dollars)	Twelve Months Ended December 31,		%
	2020	2019	
Operating earnings reported	$ 1,019	$ 1,262	(19)%
Restructuring, net (United States)	6	4	
Restructuring, net (Canada)	12	—	
Restructuring, net (Other businesses)	9	2	
Impairment charges (Other businesses)	177	120	
Fabory divestiture (Unallocated)	116	—	
Fabory divestiture (Other businesses)	(7)	—	
Grainger China divestiture (Unallocated)	(5)	—	
Subtotal[1]	308	126	
Operating earnings adjusted	$ 1,327	$ 1,388	(4)%

Note: The reconciliations above provides the information necessary to reconcile reported gross profit, reported gross profit margin and reported SG&A to adjusted gross profit, adjusted gross profit margin and adjusted SG&A, therefore no separate reconciliation is provided.
(1) All adjustments to reported values apply to SG&A costs, unless otherwise noted.

Q4 2020 GAAP to Non-GAAP Reconciliations (2 of 5)

(in millions of dollars)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	%
Net earnings reported	$ 168	$ 103	64 %
Restructuring, net (United States)	—	2	
Restructuring, net (Canada)	9	1	
Restructuring, net (Other businesses)	9	2	
Impairment charges (Other businesses)	5	104	
Fabory divestiture (Unallocated)	9	—	
Tax benefit (Other businesses)	(3)	—	
Subtotal (2)	29	109	
Net earnings adjusted	$ 197	$ 212	(7)%

(in millions of dollars)	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019	%
Net earnings reported	$ 695	$ 849	(18)%
Restructuring, net (United States)	4	3	
Restructuring, net (Canada)	10	—	
Restructuring, net (Other businesses)	9	2	
Impairment charges (Other businesses)	151	104	
Fabory divestiture (Unallocated)	115	—	
Fabory divestiture (Other businesses)	(6)	—	
Grainger China divestiture (Unallocated)	(4)	—	
Tax benefit (Other businesses)	(97)	—	
Subtotal (2)	182	109	
Net earnings adjusted	$ 877	$ 958	(8)%

(in dollars per share)	Three Months Ended December 31, 2020	Three Months Ended December 31, 2019	%
Diluted earnings per share reported	$ 3.12	$ 1.88	66 %
Restructuring, net (United States)	—	0.05	
Restructuring, net (Canada)	0.21	0.02	
Restructuring, net (Other businesses)	0.16	0.04	
Impairment charges (Other businesses)	—	2.19	
Total pretax adjustments (2)	0.37	2.30	
Tax effect (1)	0.17	(0.30)	
Total, net of tax	0.54	2.00	
Diluted earnings per share adjusted	$ 3.66	$ 3.88	(6)%

(in dollars per share)	Twelve Months Ended December 31, 2020	Twelve Months Ended December 31, 2019	%
Diluted earnings per share reported	$ 12.82	$ 15.32	(16)%
Restructuring, net (United States)	0.10	0.08	
Restructuring, net (Canada)	0.23	—	
Restructuring, net (Other businesses)	0.16	0.04	
Restructuring, net (Unallocated)	—	(0.01)	
Impairment charges (Other businesses)	3.26	2.15	
Fabory divestiture (Unallocated)	2.14	—	
Fabory divestiture (Other businesses)	(0.12)	—	
Grainger China divestiture (Unallocated)	(0.09)	—	
Total pretax adjustments (2)	5.68	2.26	
Tax effect (1)	(2.32)	(0.29)	
Total, net of tax	3.36	1.97	
Diluted earnings per share adjusted	$ 16.18	$ 17.29	(6)%

(1) The tax impact of adjustments is 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. The lower tax rate effect in the current year quarter was primarily driven by tax impacts related to the Fabory divestiture.
(2) All adjustments to reported values apply to SG&A costs, unless otherwise noted.

Q4 2020 GAAP to Non-GAAP Reconciliations (3 of 5)

ROIC (Reported)

(in millions of dollars)	Three Months Ended December 31, 2020		Three Months Ended December 31, 2019		Twelve Months Ended December 31, 2020		Twelve Months Ended December 31, 2019	
Sales								
United States	$	2,247	$	2,167	$	9,070	$	8,815
Canada		124		129		476		529
Other businesses		697		682		2,762		2,651
Intersegment sales		(127)		(131)		(511)		(509)
Net sales to external customers	$	2,941	$	2,847	$	11,797	$	11,486

	2020	Op. Margin %	2019	Op. Margin %	2020	Op. Margin %	2019	Op. Margin %
Operating earnings reported								
United States	$ 287	12.8 %	$ 303	14.0 %	$ 1,299	14.3 %	$1,391	15.8 %
Canada	(12)	(10.0)%	7	5.6 %	(16)	(3.4)%	3	0.6 %
Other businesses	32	4.6 %	(96)	(14.1)%	(24)	(0.9)%	(9)	(0.3)%
Unallocated	(32)	N/A	(33)	N/A	(240)	N/A	(123)	N/A
Operating earnings reported	$ 275	9.4 %	$ 181	6.4 %	$ 1,019	8.6 %	$1,262	11.0 %
ROIC* for Company					21.6 %		26.6%	
ROIC* for United States					36.4 %		42.0%	
ROIC* for Canada					(4.2)%		0.9%	

ROIC (Adjusted)

(in millions of dollars)	Three Months Ended December 31, 2020	Op. Margin %	2019	Op. Margin %
Segment operating earnings adjusted				
United States	$ 287	12.8 %	$ 306	14.1 %
Canada	(1)	(0.8) %	8	6.4 %
Other businesses	41	5.9 %	26	3.8 %
Unallocated	(32)	N/A	(33)	N/A
Segment operating earnings adjusted	$ 295	10.0 %	$ 307	10.8 %

(in millions of dollars)	Twelve Months Ended December 31, 2020	Op. Margin %	2019	Op. Margin %
Segment operating earnings adjusted				
United States	$ 1,305	14.4 %	$ 1,396	15.8 %
Canada	(4)	(0.9) %	3	0.6 %
Other businesses	155	5.6 %	113	4.2 %
Unallocated	(129)	N/A	(124)	N/A
Segment operating earnings adjusted	$ 1,327	11.2 %	$ 1,388	12.1 %
ROIC* for Company	28.2 %		29.3 %	
ROIC* for United States	36.5 %		42.1 %	
ROIC* for Canada	(1.0)%		0.8 %	

*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.

Q4 2020 GAAP to Non-GAAP Reconciliations (4 of 5)

(in millions of dollars)

		December 31, 2020
Condensed Consolidated Balance Sheet		
Short-term debt	$	-
Current maturities of long-term debt		8
Long-term debt		2,389
Less: Cash and cash equivalents		585
Net Debt	$	1,812

		LTM ending December 31, 2020
Condensed Consolidated Statement of Earnings		
Net earnings	$	755
Income taxes		192
Other expense, net		72
Condensed Consolidated Statement of Cash Flows		
Depreciation and amortization		182
EBITDA	$	1,201
Restructuring, net, impairment charges, and business divestitures		308
Adjusted EBITDA	$	1,509
Net Debt to Adjusted EBITDA		1.2x

Note: Management believes the presentation of Net Debt to Adjusted EBITDA ratio provides useful information regarding the Company's liquidity and leverage. The ratio is calculated by dividing the Company's Net Debt by the sum of the most recent four quarters Adjusted EBITDA.

(in millions of dollars)

		Three Months Ended December 31, 2020
Operating Cash Flow	$	336
Less: Additions to property, buildings, equipment and intangibles		45
Free Cash Flow	**$**	**291**

Q4 2020 GAAP to Non-GAAP Reconciliations (5 of 5)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2020	2019	Bps impact	2020	2019	Bps impact
Effective tax rate, reported	28.3 %	31.7 %	(340)	20.3 %	26.0 %	(570)
Fabory Tax Impact, non-operating	(5.5)	—		4.0	—	
Tax impact of other restructuring	0.2	(8.0)		1.0	(1.2)	
Effective tax rate, adjusted	23.0 %	23.7 %	(70)	25.3 %	24.8 %	50

Note: The tax impact of adjustments is 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. The lower tax rate effect in the current year quarter was primarily driven by tax impacts related to the Fabory divestiture.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Reported sales	3.3%	3.0%	2.7%	2.4%
Daily impact	—	0.1	(0.4)	—
Daily sales	3.3%	3.1%	2.3%	2.4%
Business divestitures (1)	2.7	—	1.3	—
Organic daily sales	**6.0%**	**3.1%**	**3.6%**	**2.4%**
Foreign exchange	(0.4)	(0.5)	(0.1)	0.3
Organic constant currency sales	**5.6%**	**2.6%**	**3.5%**	**2.7%**

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

IR Contacts

Irene Holman
Vice President, Investor Relations

Abby Sullivan
Sr. Manager, Investor Relations

InvestorRelations@grainger.com

847.535.0809