NYSE: GWW

Q3 2021 Earnings Call

October 29, 2021

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 and its variants, including the Delta variant and any other variants that may emerge (COVID-19), as well as the impact of actions taken or contemplated by government authorities to mitigate the spread of COVID-19 (such as vaccine mandates for certain Federal contractors and anticipated Occupational Health and Safety Administration safety directives, mask mandates, social distancing or other requirements) and to promote economic stability and recovery, on the Company’s businesses, its employees, customers and suppliers, including disruption to Grainger’s operations resulting from employee illnesses, the development, availability and usage of effective treatment or vaccines, changes in customers’ product needs, the acquisition of excess inventory leading to additional inventory carrying costs and inventory obsolescence, raw material, inventory and labor shortages, continued strain on global supply chains, and diminished transportation availability and efficiency, 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; 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 sustain contractual arrangements on a satisfactory basis with group purchasing organizations; 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 and marketing, consumer protection, pricing (including disaster or emergency declaration pricing statutes), product liability, compliance or safety, trade and export compliance, general commercial disputes, 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 price and trading volume volatility or price declines of the Company’s common stock; commodity price volatility; 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 and 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, organic 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, net debt to 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. This communication also includes certain non-GAAP forward-looking information (including, but not limited to, slide 16). The company believes that a quantitative reconciliation of such forward-looking information to the most comparable financial measure calculated and presented in accordance with GAAP cannot be made available without unreasonable efforts. A reconciliation of these non-GAAP financial measures would require the company to predict the timing and likelihood of future restructurings, asset impairments, and other charges. Neither of these forward-looking measures, nor their probable significance, can be quantified with a reasonable degree of accuracy. Accordingly, the most directly comparable forward-looking GAAP measures are not provided.

Opening Remarks

DG Macpherson
Chairman & CEO

GRAINGER®

The Grainger Edge: *Our Principles*

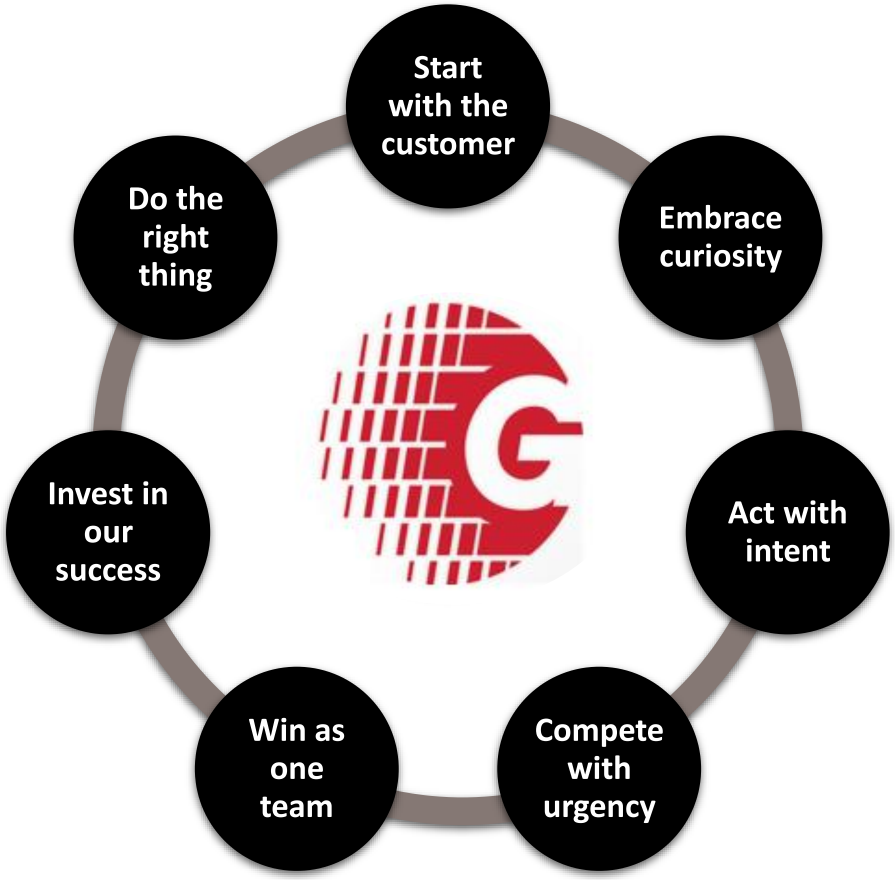
Our Purpose — **We Keep the World Working**

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 North America (N.A.) Model
- Advantaged MRO solutions
- Differentiated sales and services
- Unparalleled customer service

Endless Assortment Model
- Expansive product assortment
- Innovative customer acquisition and retention capabilities



Q3 2021 Financial Summary

Revenue and Gross Margin growth above our expectations, SG&A in line with expectations

- Achieved **organic daily sales growth of 11.9%** *(total company, constant currency)* [1]
  - Two-year average U.S. market outgrowth of ~475 bps
  - Endless Assortment growth moderated as MonotaRO gains share in challenging Japanese economy (local days, local currency: 17.5%) and Zoro compares to strong prior year
- **GP expansion across all segments**
  - High-Touch Solutions expansion of 140 bps, driven by expansion in U.S.
  - Endless Assortment growth of 115 bps, fueled by Zoro U.S. up 375 bps
- **Returned $327 million to shareholders through dividends and share repurchases**
- **Achieved strong, adjusted ROIC of 31.4%** *(total company)*
- Continuing to **navigate supply chain challenges** well**, customer satisfaction level remains high** despite challenging environment

High-Touch Solutions N.A.

11.6%

Daily Sales, constant currency growth

Endless Assortment

14.9%

Daily Sales, constant currency growth

Note: See the appendix for any non-GAAP reconciliations.

(1) Organic daily sales exclude 2020 results for Grainger China (pre-August 21, 2020) to compare like-for-like performance.

Q3 2021 Adjusted Results: *Total Company*

Summary Results

($ in millions)	Q3 2021	Q3 2020	% vs. PY Fav/(Unfav)
Sales	$ 3,372	$ 3,018	11.7 % / 12.0 %[1]
GP	1,250	1,074	16.3%
SG&A	812	700	(15.7)%
Op Earnings	$ 438	$ 374	17.4%
EPS	**$ 5.65**	**$ 4.52**	**25.0%**

(% of sales)	Q3 2021	Q3 2020	bps vs. PY Fav/(Unfav)
GP Margin	37.1 %	35.6%	145
SG&A	24.1 %	23.3%	(80)
Op Margin	13.0 %	12.4%	65

Commentary

Organic daily sales up 12.0%, 11.9% in constant currency

- Results driven by strong performance in High-Touch Solutions N.A.

GP margin expanded 145 bps

- Solid expansion across both segments and Cromwell

SG&A within guided range of $805 - 815 million

EPS for the quarter at $5.65, 25.0% over prior year

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Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding. The Company has a controlling ownership interest in MonotaRO. MonotaRO's results are fully consolidated, reflected in U.S. GAAP, and reported one-month in arrears. Results will differ from MonotaRO's externally reported financials which follow Japanese GAAP.
(1) Change in sales and change in organic daily sales.

Q3 2021 Results

Dee Merriwether

SVP & CFO

Q3 2021 Adjusted Results: *High-Touch Solutions N.A.*

Summary Results

($ in millions)	Q3 2021	Q3 2020	% vs. PY Fav/(Unfav)
Sales	$ 2,663	$ 2,377	12.0%[1]
GP	1,048	901	16.2%
SG&A	661	568	(16.3)%
Op Earnings	$ 387	$ 333	16.0%

(% of sales)	Q3 2021	Q3 2020	bps vs. PY Fav/(Unfav)
GP Margin	39.4 %	37.9%	140
SG&A	24.8 %	23.9%	(90)
Op Margin	14.5 %	14.0%	50

Commentary

Daily sales up 12.0% vs. prior year, 11.6% in constant currency

- Robust core, non-pandemic revenue growth

Gross profit margin up 140 bps year over year

- Price/ cost above neutral for the quarter, with strong price realization
- Pandemic product mix improvement over prior year

SG&A ramped sequentially

- Planned marketing investments
- Higher variable compensation and healthcare costs

Operating margin up 50 bps year over year

Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding.
(1) Q3'21 had the same number of selling days as Q3'20.

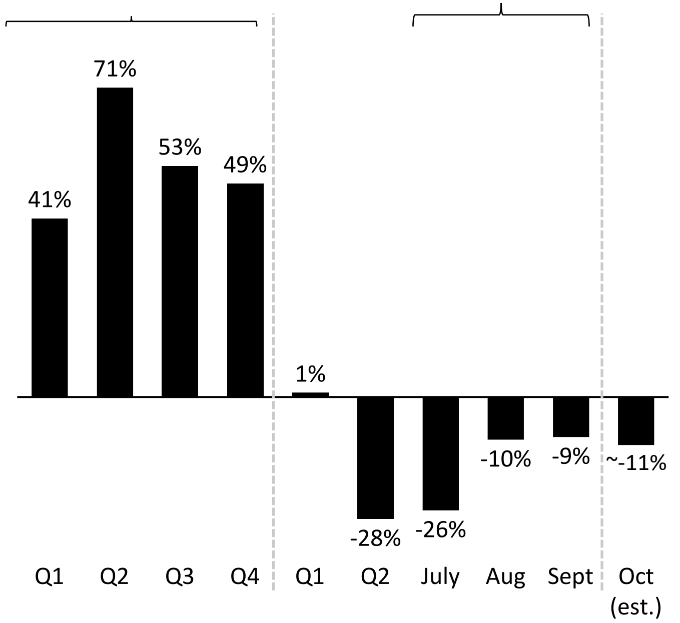
Sales by Product: *High-Touch Solutions - U.S.*

High-Touch Solutions - U.S. growth fueled by core, non-pandemic product growth over 2019, despite Delta Variant and renewed mask mandates

(year-over-year change in daily sales)

Pandemic-related Sales [1]

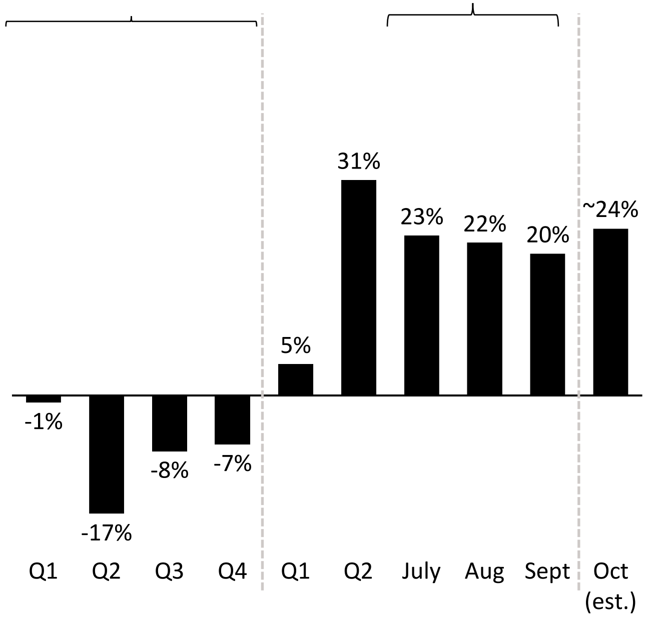
FY '20 = 54%   Q3 '21 = -15%



Growth v. 2019: *+46% +27% +18% +32% +32% +23%*

Non-pandemic Sales [1]

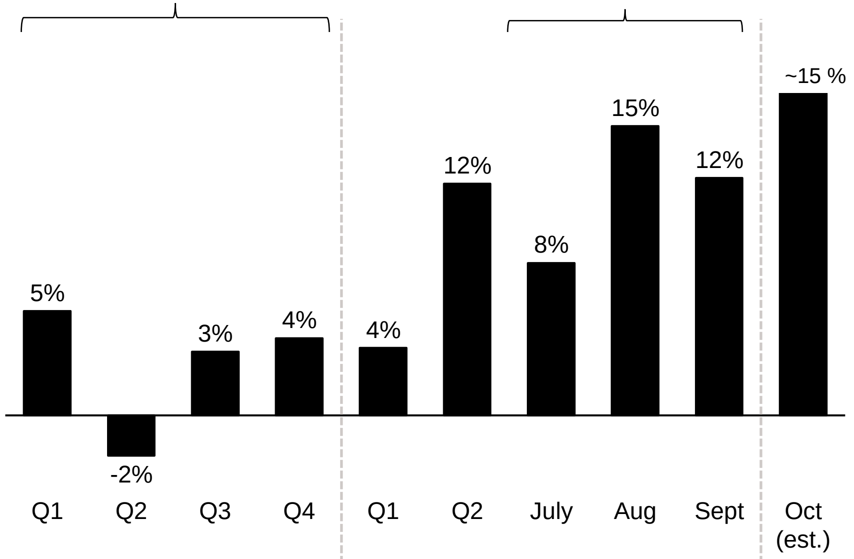
FY '20 = -8%   Q3 '21 = 22%



Growth v. 2019: *+2% +7% +11% +13% +12% +16%*

High-Touch Solutions – U.S.

FY '20 = 2.6%   Q3 '21 = 12%

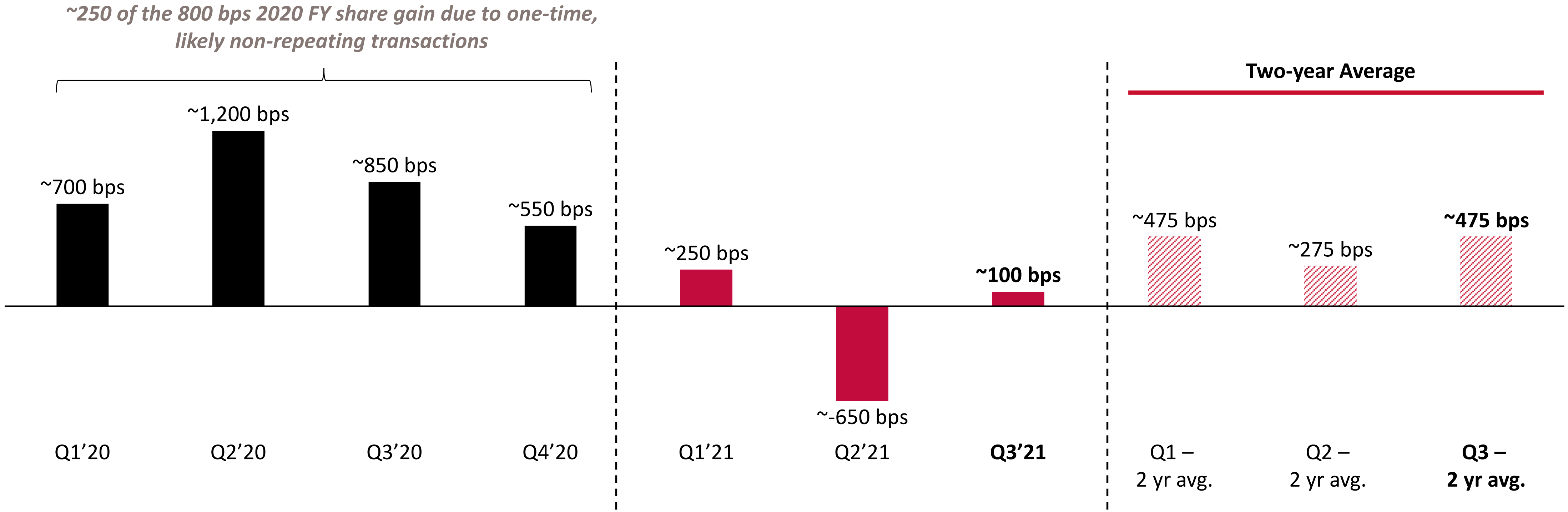


Growth v. 2019: *+9% +10% +13% +18% +16% +18%*

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

Q3 2021 Sales Performance: *High-Touch Solutions - U.S.*

Gaining sustainable momentum with 100 bps growth above the market in the quarter and ~475 bps of share gain on two-year average

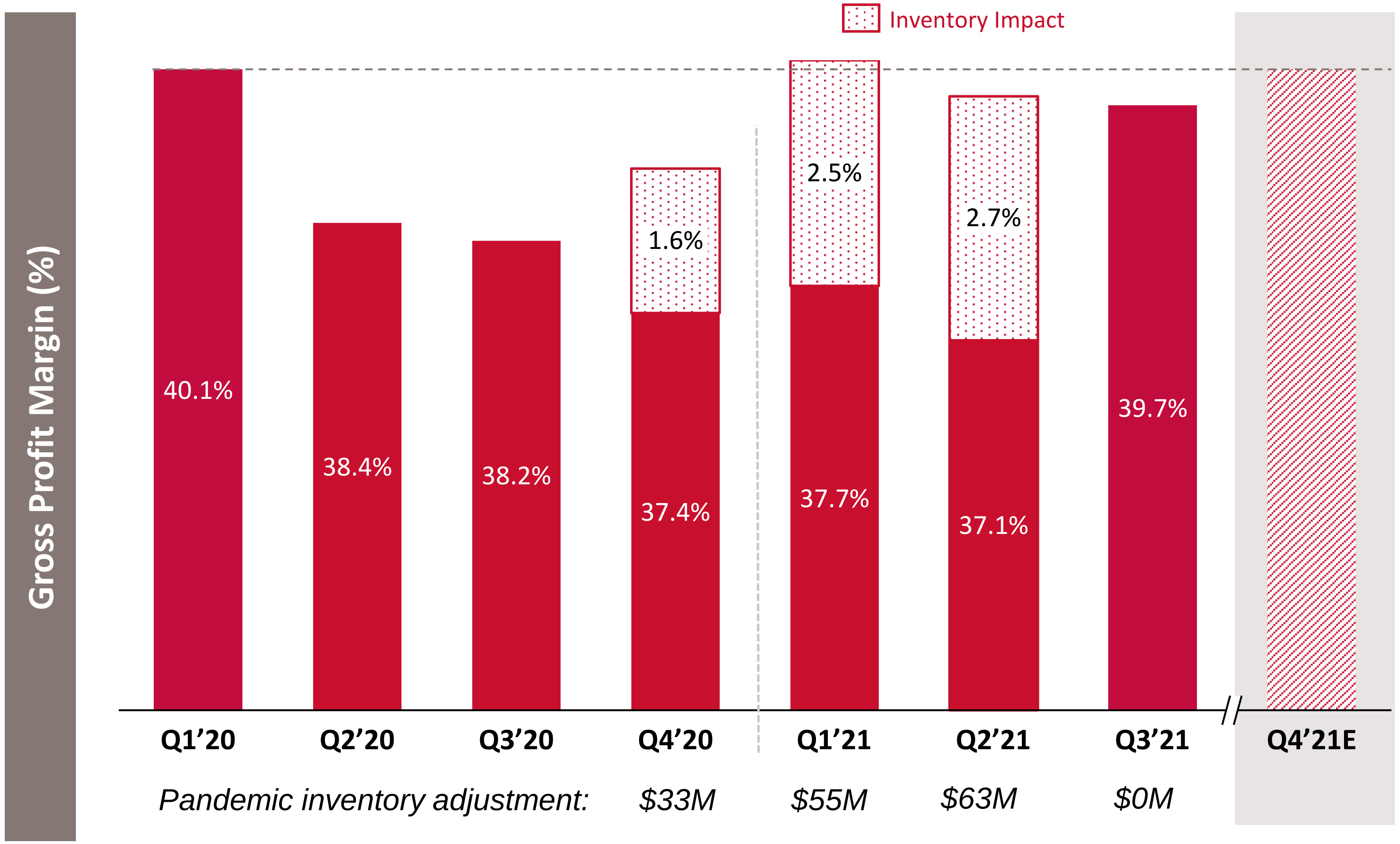


	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21	Q2'21	Q3'21	Q1 – 2 yr avg.	Q2 – 2 yr avg.	Q3 – 2 yr avg.
U.S. MRO Market [1]	(1.5%) - (1%)	(15%) - (14%)	(6%) - (5%)	(2%) - (1.5%)	0.5% - 1.5%	18.5% – 19.5%	10.5% – 11.5%	0%	2% - 3%	2% - 3%

(1) Company estimates using compilation of external market data. Outgrowth measured as High-Touch Solutions – U.S. daily sales growth less estimated U.S. MRO market growth.

Q3 2021 GP Performance and Outlook: *High-Touch Solutions - U.S.*

Strong GP growth in High-Touch Solutions - U.S.; reiterate expectations for GP rates as high or higher than Q1 2020



Commentary

Q3'21 GP improvement to 39.7%

Maintain confidence in our ability to achieve Q1 2020 levels based on…

- Growth in non-pandemic sales anticipated to positively impact mix year over year
- Expecting solid continued price realization through Q4'21
- Navigating supply chain, cost, and freight challenges well

Note: Guidance as of October 29, 2021

Q3 2021 Adjusted Results: *Endless Assortment*

Summary Results

($ in millions)	Q3 2021	Q3 2020	% vs. PY Fav/(Unfav)
Sales	$ 646	$ 572	12.7%[1]
GP	183	156	17.4%
SG&A	124	108	(14.6)%
Op Earnings	$ 59	$ 48	23.8%

(% of sales)	Q3 2021	Q3 2020	bps vs. PY Fav/(Unfav)
GP Margin	28.5 %	27.3%	115
SG&A	19.4 %	19.0%	(35)
Op Margin	9.1 %	8.3%	80

Commentary

Daily sales increased 12.7%, 14.9% on a constant currency basis

- Solid customer acquisition driven by targeted marketing and SKU expansion at Zoro U.S.
- Continued growth with Enterprise customers at MonotaRO

Gross margin expansion of 115 bps

- Continued pricing actions and improved freight efficiency with fewer B2C customers at Zoro U.S.

Operating profit margin up 80 bps

Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding. The Company has a controlling ownership interest in MonotaRO. MonotaRO's results are fully consolidated, reflected in U.S. GAAP, and reported one-month in arrears. Results will differ from MonotaRO's externally reported financials which follow Japanese GAAP.

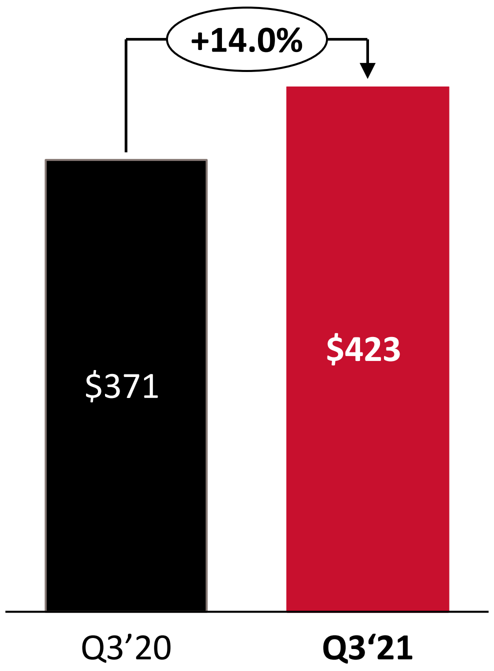
(1) Q3'21 had the same number of selling days as Q3'20.

Q3 2021 Segment Highlights: *Endless Assortment*

MonotaRO [1]

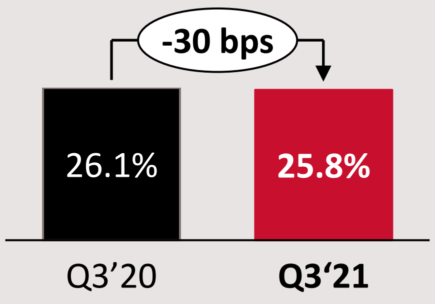
($ millions)

Daily Sales

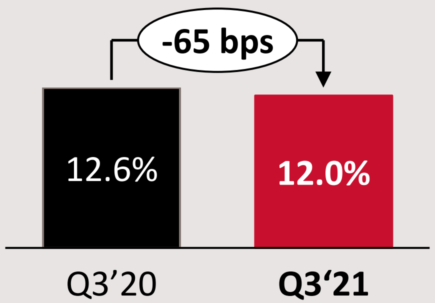


Local days and currency: 17.5%

Gross Margin



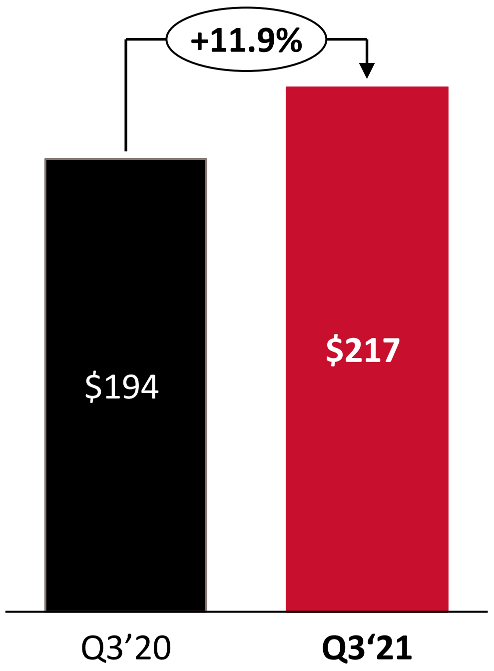
Op. Margin



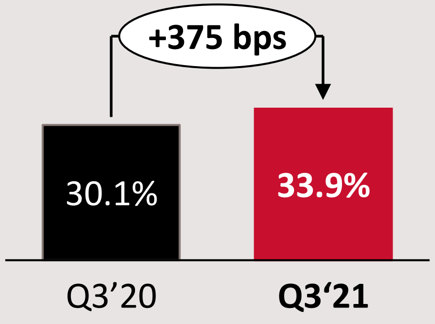
Zoro U.S.

($ millions)

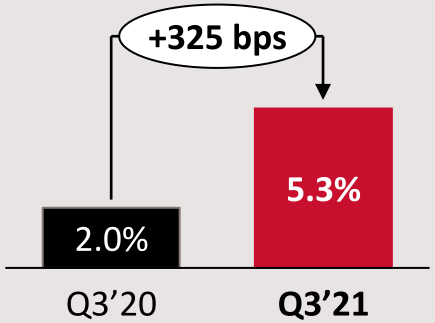
Daily Sales



Gross Margin



Op. Margin



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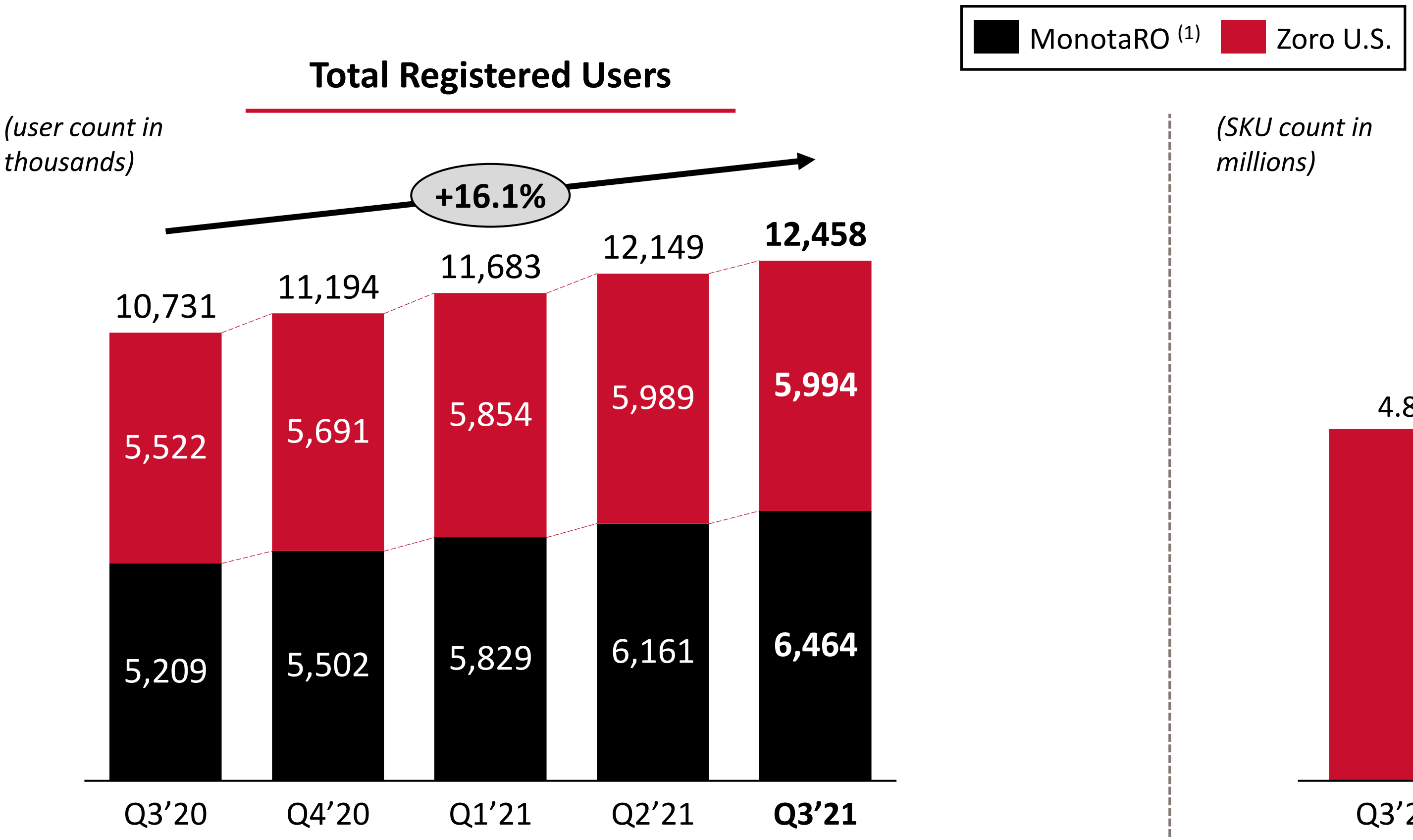
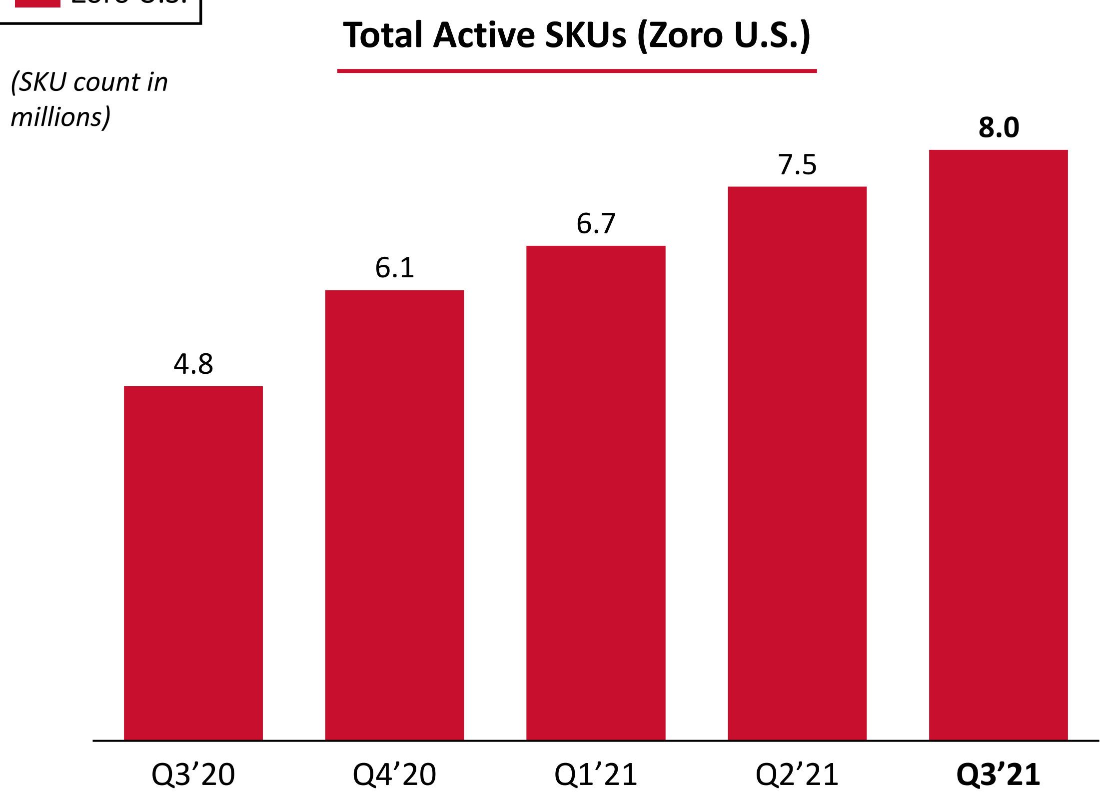
Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding.
(1) The Company has a controlling ownership interest in MonotaRO. MonotaRO's results are fully consolidated, reflected in U.S. GAAP, and reported one-month in arrears. Results will differ from MonotaRO's externally reported financials which follow Japanese GAAP.

Operating Metrics: *Endless Assortment*

Zoro achieved 8 million total SKU goal in the third quarter, while both businesses continued to add Registered Users





Note: Numbers may not sum due to rounding.

Looking Forward

Dee Merriwether

SVP & CFO

2021 Full Year Guidance – *Total Company*

Strong sales and operating performance across all key financial metrics in the third quarter continue to solidify confidence in achieving full year guidance expectations

	2019A	2020A	2021 Guidance	2021 Guidance (As of October 29, 2021)
Sales *($ billions)*	**$11.5**	**$11.8**	**$12.7 – $13.0**	***Maintain***
Daily growth	*2.5%*	*2.3%*	*8.5% - 11.0%*	
Organic daily growth		*3.6%*	*10.0% – 12.5%*	
Gross Profit Margin	**38.3%**	**35.9%**	**36.1% – 36.6%**	***Trending between lower end and mid-point***
bps vs. prior year	*(50)*	*(235)*	*20 – 70*	
Operating Margin	**12.1%**	**11.2%**	**11.8% – 12.4%**	
bps vs. prior year	*10*	*(80)*	*50 - 115*	
Tax Rate	**24.8%**	**25.3%**	**25.0% - 26.0%**	
EPS	**$17.29**	**$16.18**	**$19.00 - $20.50**	
% vs. prior year	*3.5%*	*(6.4)%*	*17.5% - 26.5%*	

Note: Guidance as of October 29, 2021
Total company 4Q'21 estimates in comparison to 4Q'20: revenue +11.5% – 12.5% on a daily basis; GP: 37.2% – 37.4%; SG&A: $810 - $815 million

Closing Remarks

DG Macpherson
Chairman & CEO

Q&A

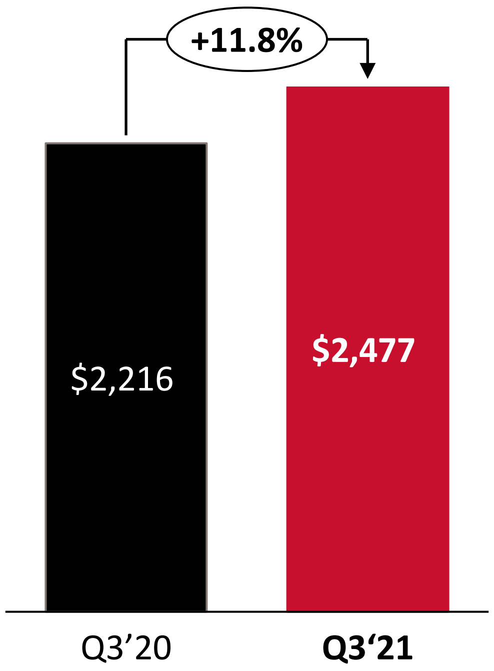
Appendix

Q3 2021 Segment Highlights: *High-Touch Solutions N.A.*

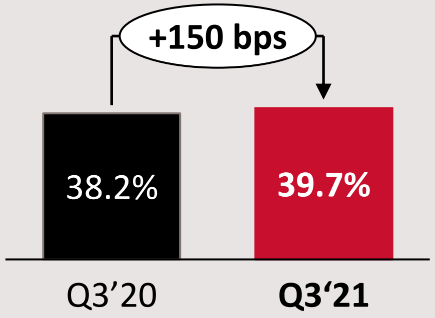
U.S.

($ millions)

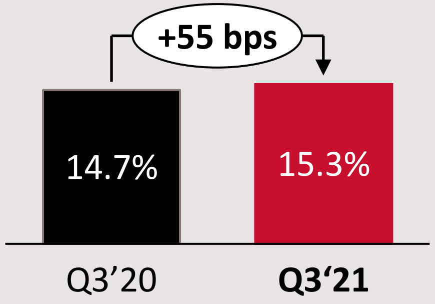
Daily Sales



Gross Margin



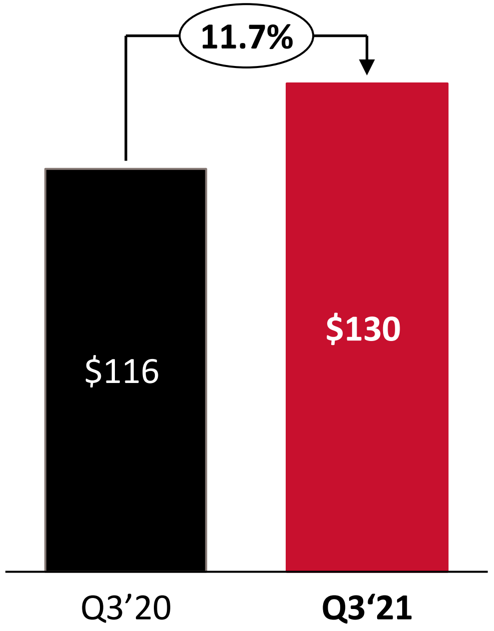
Op. Margin



Canada

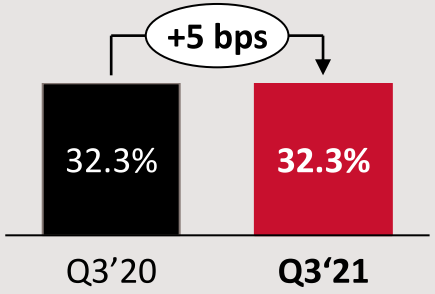
($ millions)

Daily Sales

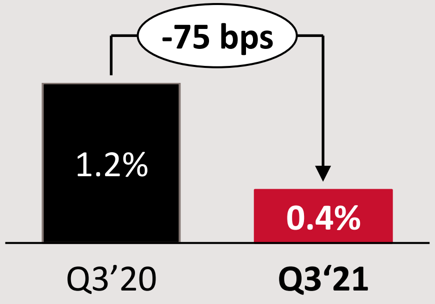


Local days and currency: 5.7%

Gross Margin



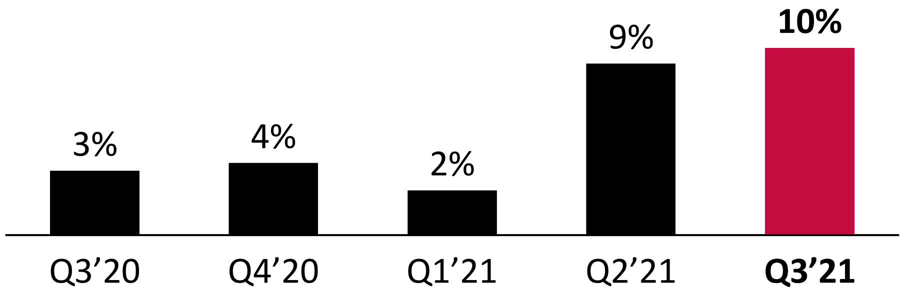
Op. Margin



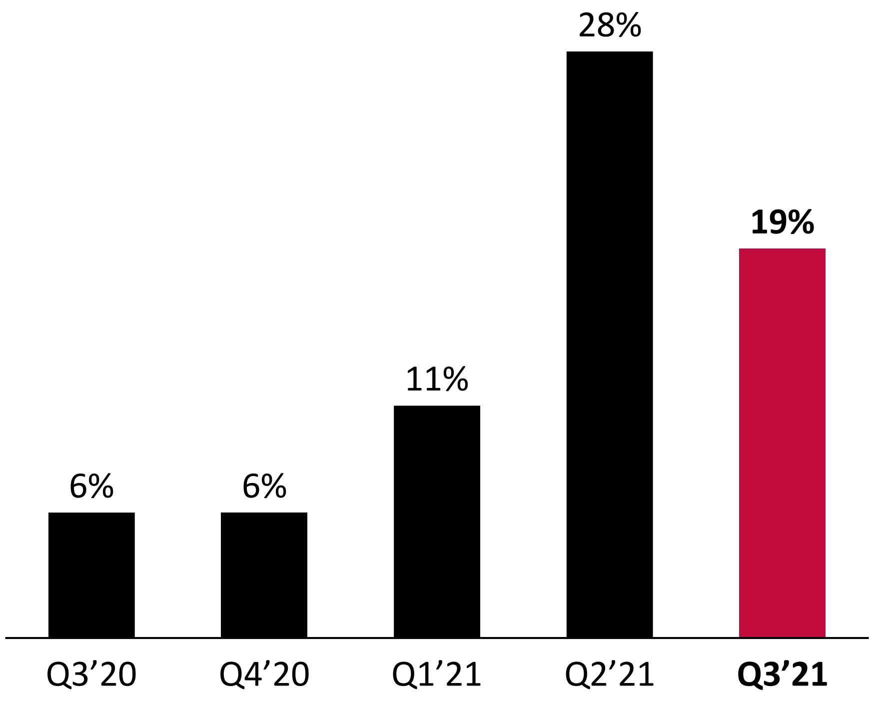
Note: All numbers on an adjusted basis. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding.
Note: Effective Q1 2022, Operating Margin by geography will no longer be provided.

Q3 2021 Sales Performance: *High-Touch Solutions - U.S. business*

Large Customers (1)



Mid-sized Customers (1)



(1) Large customer revenue of $7.6 billion and Midsize customer revenue of $1.3 billion for the last twelve-month period ending September 30, 2021. These numbers exclude specialty brands and revenue recognition adjustments which are included in the High Touch Solutions U.S. business.

Q3 2021 U.S. Business Sales By Customer End Market

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

Q3 2021 Quarterly Daily Sales Growth

Q3 2021 Daily Sales (Total Company) (1)

Month	Reported Sales (U.S. Selling Days) Q3 2020	Reported Sales (U.S. Selling Days) Q3 2021	FX Impact	Constant Currency
July	3.3%	9.9%	(0.3)%	9.6%
August	2.7%	13.1%	—%	13.1%
September	1.0%	12.1%	—%	12.1%
Q3 Daily Sales	**2.4%**	**11.7%**	**(0.1)%**	**11.6%**

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**

Q3 2021 Daily Sales vs. Q3 2020 (1)

Drivers	High-Touch Solutions	High-Touch Solutions – U.S.	High-Touch Solutions - Canada
Volume/product mix	8.6%	8.9%	2.2%
Price/customer mix	3.0	2.9	3.5
Foreign exchange	0.4	—	6.0
Daily sales	**12.0%**	**11.8%**	**11.7%**
Foreign exchange	(0.4)	—	(6.0)
Constant currency	**11.6%**	**11.8%**	**5.7%**

(1) Based on U.S. Selling Days; Total Company Q3 daily, organic, constant currency sales = 11.9%. China divestiture impacts revenue by 30 basis points.

Q3 2021 GAAP to Non-GAAP Reconciliations (1 of 6)

(in millions of dollars)	Three Months Ended September 30,			
	2021	Gross Margin	2020	Gross Margin
Total company gross profit reported	$ 1,250	37.1 %	$ 1,074	35.6 %
Restructuring (High-Touch Solutions N.A.)	—	—	—	—
Restructuring (Endless Assortment)	—	—	—	—
Restructuring (Other)	—	—	—	—
Total company gross profit adjusted	$ 1,250	37.1 %	$ 1,074	35.6 %

(in millions of dollars)	Nine Months Ended September 30,			
	2021	Gross Profit %	2020	Gross Profit %
Total company gross profit reported	$ 3,467	35.9 %	$ 3,211	36.3 %
Restructuring (High-Touch Solutions N.A.)	—	—	—	—
Restructuring (Endless Assortment)	—	—	—	—
Restructuring (Other)	—	—	—	—
Total company gross profit adjusted	$ 3,467	35.9 %	$ 3,211	36.3 %

(in millions of dollars)	Three Months Ended September 30,		%
	2021	2020	
Total company operating earnings reported	$ 438	$ 380	16 %
Restructuring, net (High-Touch Solutions N.A.)	—	(1)	
Other:			
Grainger China divestiture	—	(5)	
Subtotal - other	—	(5)	
Subtotal - total company	—	(6)	
Total company operating earnings adjusted	$ 438	$ 374	17 %

(in millions of dollars)	Nine Months Ended September 30,		%
	2021	2020	
Total company operating earnings reported	$ 1,130	$ 744	52 %
Restructuring, net (High-Touch Solutions N.A.)	—	7	
Other:			
Impairment charges	—	177	
Fabory divestiture	—	109	
Grainger China divestiture	—	(5)	
Subtotal - other	—	281	
Subtotal - total company	—	288	
Total company operating earnings adjusted	$ 1,130	$ 1,032	10 %

Note: The reconciliations provided in the tables for reported gross profit to adjusted gross profit and reported operating earnings to adjusted operating earnings are on a total company level and are comprised of the adjustments indicated in the tables above. The reconciliations for reported gross profit to adjusted gross profit and reported operating earnings to adjusted operating earnings on a segment level contain the same adjustments as the adjustments specified for the applicable segment as provided in the tables above for the applicable period reported. The reconciliations for reported operating earnings to adjusted operating earnings on a segment level, and as classified as "Other", contain the same adjustments as the adjustments specified for the applicable segment, or for "Other", as provided in the tables above for the applicable period reported. Therefore, no separate reconciliation is provided for segment information. The reconciliations for reported SG&A to adjusted SG&A on a total company and segment levels contain the same adjustments in the same amounts presented in the reported gross profit to adjusted gross profit and reported operating earnings to adjusted operating earnings tables. Therefore, no separate reconciliation is provided.

Q3 2021 GAAP to Non-GAAP Reconciliations (2 of 6)

(in millions of dollars)	Three Months Ended September 30,		%
	2021	2020	
U.S. operating earnings reported	$ 378	$ 327	16 %
Restructuring, net (U.S.)	—	—	
Subtotal - U.S.	—	—	
U.S. operating earnings adjusted	$ 378	$ 327	16 %

(in millions of dollars)	Nine Months Ended September 30,		%
	2021	2020	
U.S. operating earnings reported	$ 950	$ 920	3 %
Restructuring, net (U.S.)	—	6	
Subtotal - U.S.	—	6	
U.S. operating earnings adjusted	$ 950	$ 926	3 %

(in millions of dollars)	Three Months Ended September 30,		%
	2021	2020	
Canada operating earnings reported	$ 1	$ 2	(73)%
Restructuring, net (Canada)	—	(1)	
Subtotal - Canada	—	(1)	
Canada operating earnings adjusted	$ 1	$ 1	(58)%

(in millions of dollars)	Nine Months Ended September 30,		%
	2021	2020	
Canada operating earnings reported	$ 1	$ (4)	132 %
Restructuring, net (Canada)	—	1	
Subtotal - Canada	—	1	
Canada operating earnings adjusted	$ 1	$ (3)	139%

Note: Reported gross profit and reported operating earnings are the same as adjusted gross profit and adjusted operating earnings for MonotaRO and Zoro. Therefore, no separate reconciliation is provided.

Q3 2021 GAAP to Non-GAAP Reconciliations (3 of 6)

(in millions of dollars)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	%
Net earnings reported	$ 297	$ 240	24 %
Restructuring, net (High-Touch Solutions N.A.)	—	—	
Restructuring, net (Endless Assortment)	—	—	
Other:			
Impairment charges	—	9	
Tax benefit	—	(7)	
Fabory divestiture	—	8	
Grainger China divestiture	—	(4)	
Subtotal - other	—	6	
Subtotal - total company	—	6	
Net earnings adjusted	$ 297	$ 246	21 %

(in millions of dollars)	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	%
Net earnings reported	$ 760	$ 527	44 %
Restructuring, net (High-Touch Solutions N.A.)	—	5	
Restructuring, net (Endless Assortment)	—	—	
Other:			
Impairment charges	—	145	
Fabory divestiture	—	101	
Tax benefit	—	(94)	
Grainger China divestiture	—	(4)	
Subtotal - other	—	148	
Subtotal - total company	—	153	
Net earnings adjusted	$ 760	$ 680	12 %

(in dollars per share)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	%
Diluted earnings per share reported	$ 5.65	$ 4.41	28 %
Restructuring, net (High-Touch Solutions N.A.)	—	(0.01)	
Restructuring, net (Endless Assortment)	—	—	
Other:			
Grainger China divestiture	—	(0.09)	
Subtotal other	—	(0.09)	
Total pretax adjustments	—	(0.10)	
Tax effect [1]	—	0.21	
Total, net of tax	—	0.11	
Diluted earnings per share adjusted	$ 5.65	$ 4.52	25 %

(in dollars per share)	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	%
Diluted earnings per share reported	$ 14.40	$ 9.70	48 %
Restructuring, net (High-Touch Solutions N.A.)	—	0.11	
Restructuring, net (Endless Assortment)	—	—	
Other:			
Impairment charges	—	3.26	
Fabory divestiture	—	2.01	
Grainger China divestiture	—	(0.09)	
Subtotal other	—	5.27	
Total pretax adjustments	—	5.29	
Tax effect [1]	—	(2.47)	
Total, net of tax	—	2.82	
Diluted earnings per share adjusted	$ 14.40	$ 12.52	15 %

(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 tax effect in the prior year was primarily related to the divested Fabory business (divested 6/30/2020).

Q3 2021 GAAP to Non-GAAP Reconciliations (4 of 6)

(in millions of dollars)2	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Sales				
High-Touch Solutions N.A.	$ 2,663	$ 2,377	$ 7,558	$ 6,929
Endless Assortment	646	572	1,913	1,593
Other	63	69	192	334
Net sales	$ 3,372	$ 3,018	$ 9,663	$ 8,856

	Three Months 2021	Op. Margin	Three Months 2020	Op. Margin	Nine Months 2021	Op. Margin	Nine Months 2020	Op. Margin
Operating earnings reported								
High-Touch Solutions (N.A.)	$ 387	14.5 %	$ 334	14.1 %	$ 975	12.9 %	$ 933	13.5 %
Endless Assortment	59	9.1 %	48	8.3 %	172	9.0 %	125	7.8 %
Other	(8)	(12.0)%	(2)	(4.3)%	(17)	(8.8)%	(314)	(94.2)%
Operating earnings reported	$ 438	13.0 %	$ 380	12.6 %	$ 1,130	11.7 %	$ 744	8.4 %
ROIC* for Company					31.4 %		21.1 %	
ROIC* for High-Touch Solutions N.A.					32.0 %		30.9 %	
ROIC* for Endless Assortment					35.5 %		32.0 %	

(in millions of dollars)	Three Months Ended September 30, 2021	Op. Margin	2020	Op. Margin
Segment operating earnings adjusted				
High-Touch Solutions N.A.	$ 387	14.5 %	$ 333	14.0 %
Endless Assortment	59	9.1 %	48	8.3 %
Other	(8)	(12.0)%	(7)	(11.7)%
Segment operating earnings adjusted	$ 438	13.0 %	$ 374	12.4 %

(in millions of dollars)	Nine Months Ended September 30, 2021	Op. Margin	2020	Op. Margin
Segment operating earnings adjusted				
High-Touch Solutions N.A.	$ 975	12.9 %	$ 940	13.6 %
Endless Assortment	172	9.0 %	125	7.8 %
Other	(17)	(8.8)%	(33)	(9.7)%
Segment operating earnings adjusted	$ 1,130	11.7 %	$ 1,032	11.6 %
ROIC* for Company	31.4 %		29.3 %	
ROIC* for High-Touch Solutions N.A.	32.0 %		31.2 %	
ROIC* for Endless Assortment	35.5 %		32.0 %	

*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 4-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 (4-point average of $311.8 million), prepaid and deferred taxes, operating lease right-of-use assets and investments in unconsolidated entities, plus the LIFO reserve (4-point average of $449.9 million). Working liabilities are the sum of trade payables, accrued compensation and benefits, accrued contributions to employees' profit sharing plans, and accrued expenses.

Q3 2021 GAAP to Non-GAAP Reconciliations (5 of 6)

(in millions of dollars)

		September 30, 2021
Condensed Consolidated Balance Sheet		
Long-term debt	$	2,372
Less: Cash and cash equivalents		(328)
Net Debt	$	2,044
		LTM ending September 30, 2021
Condensed Consolidated Statement of Earnings		
Net earnings	$	998
Income taxes		345
Other expense, net		62
Condensed Consolidated Statement of Cash Flows		
Depreciation and amortization		182
EBITDA	$	1,587
Restructuring, net, impairment charges and business divestitures		20
Adjusted EBITDA	$	1,607
Net Debt to Adjusted EBITDA		**1.3x**

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 September 30, 2021
Operating Cash Flow	$	161
Less: Additions to property, buildings, equipment and intangibles		50
Free Cash Flow	$	111

Q3 2021 GAAP to Non-GAAP Reconciliations (6 of 6)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Bps impact	2021	2020	Bps impact
Effective tax rate reported	25.5 %	29.3 %	(380)	25.0 %	17.3 %	770
Tax benefit related to the Fabory business	—	(3.3)		—	8.7	
Tax impact of restructuring, net, impairment and business divestiture	—	0.5		—		
Effective tax rate adjusted	25.5 %	26.5 %	(100)	25.0 %	26.0 %	(100)

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.

	Total Company		High-Touch Solutions N.A.		Endless Assortment	
	Three Months Ended September 30,		Three Months Ended September 30,		Three Months Ended September 30,	
	2021	2020	2021	2020	2021	2020
Reported sales	11.7%	2.4%	12.0%	2.2%	12.7%	20.1%
Daily impact	—	—	—	—	—	—
Daily sales	11.7%	2.4%	12.0%	2.2%	12.7%	20.1%
Business divestitures [1]	0.3	2.2	—	—	—	—
Organic daily sales	**12.0%**	**4.6%**	**12.0%**	**2.2%**	**12.7%**	**20.1%**
Foreign exchange	(0.1)	—	(0.4)	0.8	2.2	(3.7)
Organic constant currency sales	**11.9%**	**4.6%**	**11.6%**	**3.0%**	**14.9%**	**16.4%**

Local Selling Day Impact	Canada		MonotaRO	
Reported sales	11.7%	(9.9)%	14.0%	20.4%
Local day impact	—	—	—	—
Local daily sales	11.7%	(9.9)%	14.0%	20.4%
Foreign exchange	(6.0)	0.8	3.5	(0.8)
Local days and currency	**5.7%**	**(9.1)%**	**17.5%**	**19.6%**

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

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