NYSE: GWW

Q1 2022 Earnings Call

April 28, 2022

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 and its variants (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, 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 remote working 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 remote working arrangements, 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; inflation, higher product costs or other expenses, including operational expenses; the impact of Russia’s invasion of Ukraine on the global economy; a major loss of customers; loss or disruption of sources of supply; changes in customer or product mix; increased competitive pricing pressures; failure to enter into or sustain contractual arrangements on a satisfactory basis with group purchasing organizations; failure to develop, manage 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 margin; 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, including new or stricter environmental laws or regulations; government contract matters; disruption or breaches 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; geopolitical events, including war or acts of terrorism; other pandemic diseases or viral contagions; natural or human induced disasters, extreme weather and other catastrophes or conditions; effects of climate change; competition for, or failure to attract, retain, train, motivate, and develop 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, free cash flow, adjusted return on invested capital, and EBITDA is available in the appendix to this presentation. This communication also includes certain non-GAAP forward-looking information (including, but not limited to slides 14 and 18). 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. Forward-looking non-GAAP financial measures provided without the most directly comparable GAAP financial measures may vary materially from the corresponding GAAP financial measures.

Opening Remarks

DG Macpherson
Chairman & CEO

GRAINGER®

The Grainger Edge

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.)

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

Endless Assortment

- Expansive product assortment
- Innovative customer acquisition and retention capabilities

Our Principles

… Proud to be recognized as a great place to work

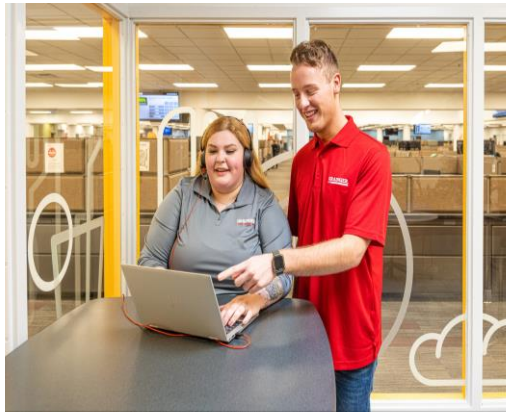
Performing Well in a Challenging Environment

- **Leveraging our purchasing scale** and **effectively managing cost inflation** while remaining price competitive and targeting price/cost neutrality
- Working with logistics partners to **manage through ongoing freight challenges**
- **Securing inventory** for customers during global shortages, shutdowns, and delays
- **Adding talent** through competitive payroll and benefits package and attractive culture
- **Achieving SG&A leverage** despite inflation
- **Gaining share** through service advantage and strategic initiatives

Q1 2022 Financial Summary

Operational execution and supply chain advantages fueling strong results amidst robust demand environment

- Achieved first quarter **sales growth of 18.2%, or 17.9% on a daily, constant currency basis**
  - Strong revenue growth in both High-Touch Solutions N.A. and Endless Assortment segments
  - Outgrew broader U.S. MRO market by ~550 basis points in HTS-US business
- **Expanded GP margin by 245 basis points** versus prior year
- Delivered **strong operating margin of 14.6%,** up 305 basis points versus prior year
  - High-Touch Solutions N.A. improved 395 basis points, benefitting from comparison to prior-year inventory adjustment in U.S.
  - Endless Assortment down 95 basis points, as planned, reflecting MonotaRO DC investment
- Produced **strong, adjusted ROIC of 41.0%** *(total company)*
- **Returned $163 million to shareholders** through dividends and share repurchases
- **Raising full year 2022 guidance** on strong start to the year



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

Q1 2022 Results

Dee Merriwether

SVP & CFO

Q1 2022 Results: *Total Company*

Summary Results

($ in millions)	Q1 2022	Q1 2021	% vs. PY Fav/(Unfav)
Sales	$ 3,647	$ 3,084	18.2%
Daily Sales	*57.0*	*49.0*	*16.4%*
GP	1,383	1,093	26.5%
SG&A	849	735	(15.4)%
Op Earnings	$ 534	$ 358	49.2%
EPS	**$ 7.07**	**$ 4.48**	**57.8%**

(% of sales)	Q1 2022	Q1 2021	bps vs. PY Fav/(Unfav)
GP Margin	37.9 %	35.5 %	245
SG&A	23.3 %	23.9 %	60
Op Margin	14.6 %	11.6 %	305

Commentary vs. Prior Year

Sales increased 18.2%, 16.4% daily sales growth

- Double-digit revenue growth in both segments
- 17.9% sales growth on a daily, constant currency basis

GP margin expanded 245 bps

- Lapping prior year inventory adjustment in HTS - US
- Product mix drove additional tailwinds

SG&A leverage of 60 bps

- Fueled by strong top-line growth and prudent cost management

Expanded operating margin 305 bps

EPS of $7.07, up 58% versus prior year

Note: Adjusted results are consistent with reported results for presented periods. See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding. The Company has a controlling ownership interest in MonotaRO, which is part of our Endless Assortment segment. 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.

Q1 2022 Results: *High-Touch Solutions N.A.*

Summary Results

($ in millions)	Q1 2022	Q1 2021	% vs. PY Fav/(Unfav)
Sales	$ 2,878	$ 2,397	20.1%
Daily Sales	*45.0*	*38.0*	*18.2%*
GP	1,164	895	30.0%
SG&A	683	589	(15.9)%
Op Earnings	$ 481	$ 306	57.3%

(% of sales)	Q1 2022	Q1 2021	bps vs. PY Fav/(Unfav)
GP Margin	40.4 %	37.4 %	310
SG&A	23.7 %	24.6 %	85
Op Margin	16.7 %	12.8 %	395

Commentary vs. Prior Year

Sales increased 20.1%, 18.2% on a daily basis

- Solid realization from recent pricing actions
- Double-digit sales growth across all geographies and both large and mid-size customers

Gross profit margin up 310 bps

- Lapping prior year inventory adjustment
- Favorable product mix
- Given timing, price / cost positive; however, largely neutral when net of freight inflation

Operating margin up 395 bps

- SG&A leverage of 85 bps as revenue growth outpaced continued investments in marketing, payroll and benefits

Note: Adjusted results are consistent with reported results for presented periods. See the appendix for any non-GAAP reconciliations.
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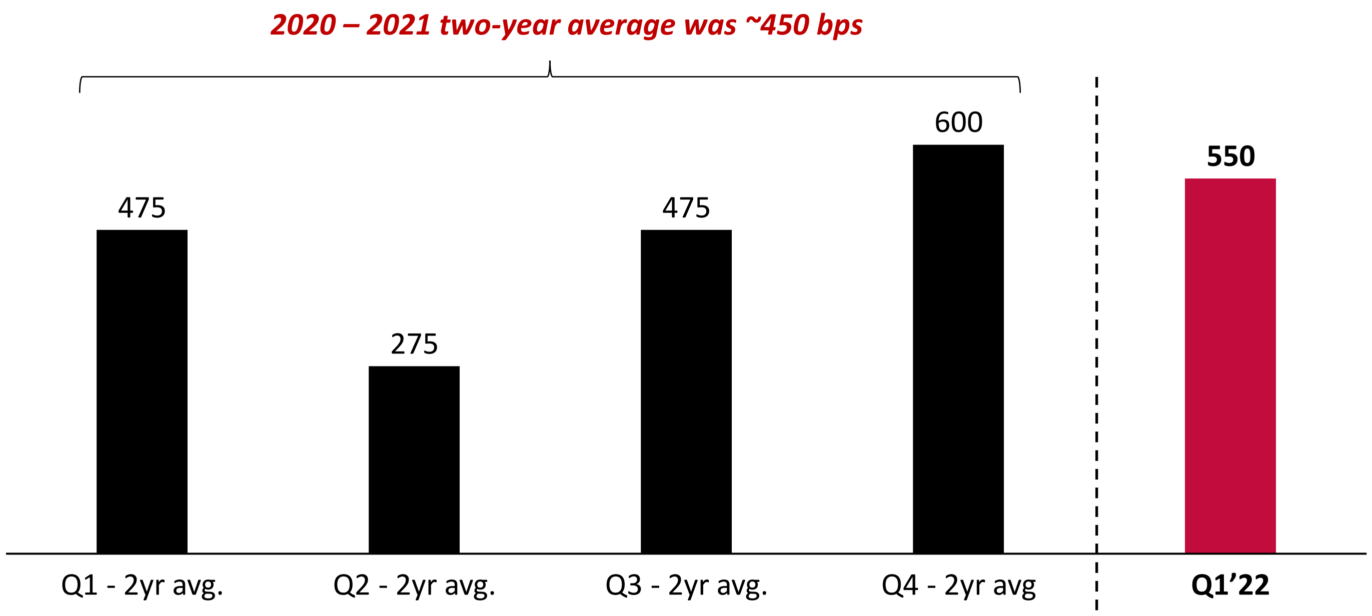
Q1 2022 Sales Performance: *High-Touch Solutions - U.S.*

Delivered market outgrowth of 550 basis points, fueled by strong demand, supply chain agility, and relentless focus on strategic initiatives



Goal is to grow 300 to 400 basis points faster than the market, on average, each year

U.S. MRO Market (1)	0%	2% - 3%	2% - 3%	4% - 5%	12.5% - 13.5%

(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.

Q1 2022 Results: *Endless Assortment*

Summary Results

($ in millions)	Q1 2022	Q1 2021	% vs. PY Fav/(Unfav)
Sales	$ 697	$ 622	12.1%
Daily Sales	*10.9*	*9.9*	*10.4%*
GP	197	175	12.5%
SG&A	142	120	(18.3)%
Op Earnings	$ 55	$ 55	(0.1)%

(% of sales)	Q1 2022	Q1 2021	bps vs. PY Fav/(Unfav)
GP Margin	28.2 %	28.1 %	10
SG&A	20.3 %	19.3 %	(105)
Op Margin	7.9 %	8.9 %	(95)

Commentary vs. Prior Year

Sales increased 12.1%, 10.4% on a daily basis

- Zoro growth of 19.1% on a daily basis; MonotaRO growth of 18.4% in local days, local currency
- Continued customer acquisition at both Zoro and MonotaRO
- Strong enterprise customer growth at MonotaRO

Operating margin declined 95 bps, as planned

- Zoro expanded 90 bps as improved GP margin offset incremental payroll and advertising costs
- MonotaRO declined 165 bps primarily due to higher product costs and increased occupancy expense for the new DC

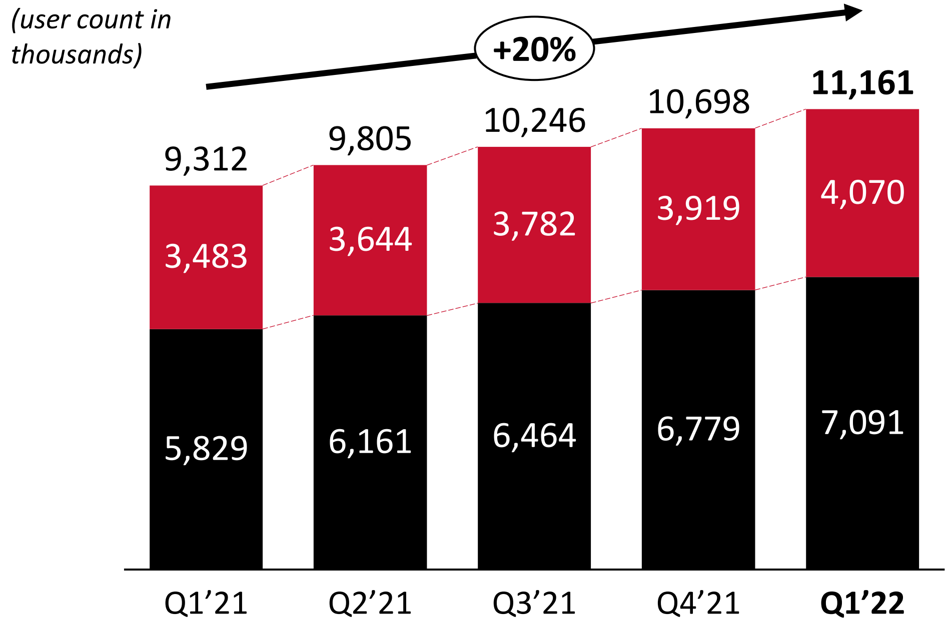
Note: Adjusted results are consistent with reported results for presented periods See the appendix for any non-GAAP reconciliations. Numbers may not sum due to rounding. The Company has a controlling ownership interest in MonotaRO, which is part of our Endless Assortment segment. MonotaRO's results are 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*

Growth of registered users and active SKUs continues to provide strong foundation for sales growth across the segment

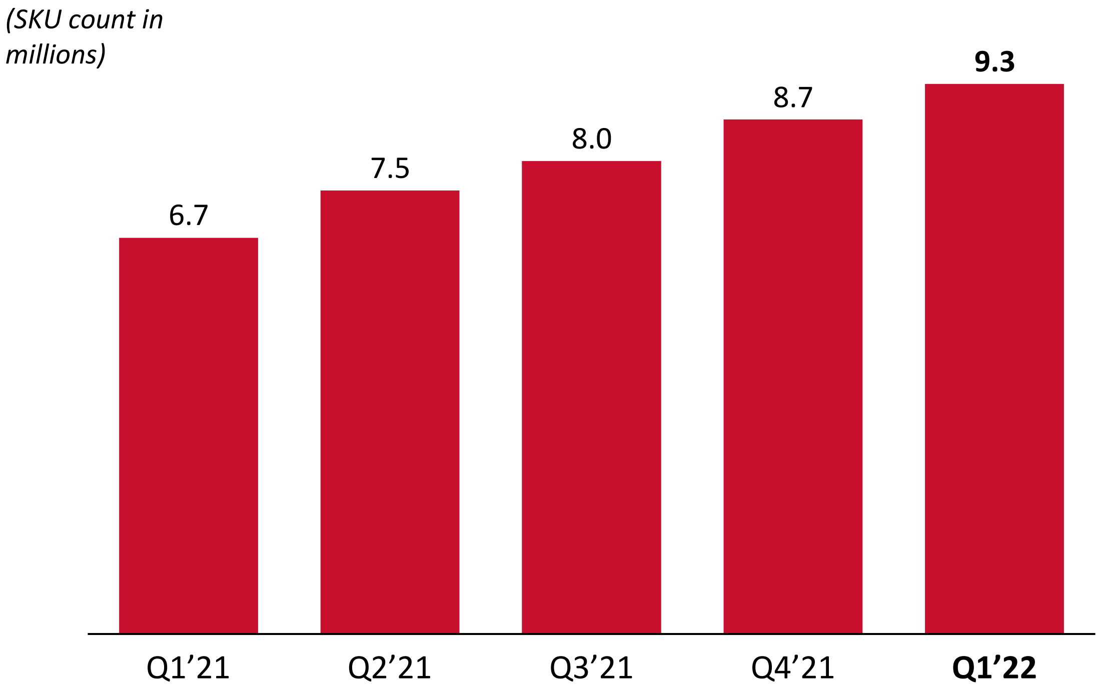
MonotaRO (1) Zoro U.S.

Total Registered Users (Restated)*



* Registered user count has been restated to represent Zoro's strategic pivot to focus on more productive channels and B2B customers. These accounts represented between 2.2-2.4 million registered users over the last 5 quarters.

Total Active SKUs (Zoro U.S.)



Note: Numbers may not sum due to rounding.
(1) The Company has a controlling ownership interest in MonotaRO, which is part of our Endless Assortment segment. 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.

Looking Forward

Dee Merriwether
SVP & CFO

2022 Full Year Guidance – *Total Company*

Raising full year 2022 guidance after a strong start to the year

	2019A	2020A	2021A	Previous Guidance (provided February 3, 2022)	Updated Guidance (As of April 28, 2022)
Sales *($ billions)*	**$11.5**	**$11.8**	**$13.0**	**$14.1 – $14.5**	**$14.5 – $14.9**
Daily growth	*2.5%*	*2.3%*	*11.3%*	*7.5% - 10.5%*	*11.0% - 14.0%*
Organic daily growth		*3.6%*	*12.7%*		
Gross Profit Margin	**38.3%**	**35.9%**	**36.2%**	**36.8% – 37.3%**	**36.8% – 37.3%**
bps vs. prior year	*(50)*	*(235)*	*30*	*50 – 100*	*50 – 100*
Operating Margin	**12.1%**	**11.2%**	**11.9%**	**12.5% – 13.1%**	**13.0% – 13.6%**
bps vs. prior year	*10*	*(80)*	*65*	*65 - 125*	*105 - 165*
Tax Rate	**24.8%**	**25.3%**	**25.0%**	**24.0% - 25.0%**	**~25.0%**
EPS	**$17.29**	**$16.18**	**$19.84**	**$23.50 - $25.50**	**$25.00 - $27.00**
% vs. prior year	*3.5%*	*(6.4)%*	*22.6%*	*18.5% - 28.5%*	*26.0% - 36.1%*

Note: Guidance on an adjusted basis as of April 28, 2022. Assumes full year FX rate of JPY / USD = 120.

Closing Remarks

DG Macpherson

Chairman & CEO

Q&A

Appendix

2022 Full Year Guidance (cont.)

Increasing operating margin expectations for High-Touch Solutions; flowing through to Total Company

	2019A	2020A	2021A	2022 Guidance (As of April 28, 2022)
High-Touch Solutions N.A.	14.2%	13.0%	13.1%	14.9% – 15.5% *
Endless Assortment	6.6%	8.0%	9.0%	7.5% – 8.2%
Total Company	12.1%	11.2%	11.9%	13.0% – 13.6% *

As previously noted, EA operating margin reflects increased investment in distribution center capacity at MonotaRO and modest Zoro OM expansion, contributing to higher long-term ROIC

Increased operating cash flow guidance, while CapEx and share repurchases remain unchanged

($ millions)	2019A	2020A	2021A	2022 Guidance (As of April 28, 2022)
Operating Cash Flow	$1,042	$1,123	$937	$1,150 – $1,350 *
CapEx(1)	$221	$197	$255	$275 – $325
Share Repurchases	$700	$601	$695	$600 – $800

* *Updated from previous guidance provided on February 3, 2022*

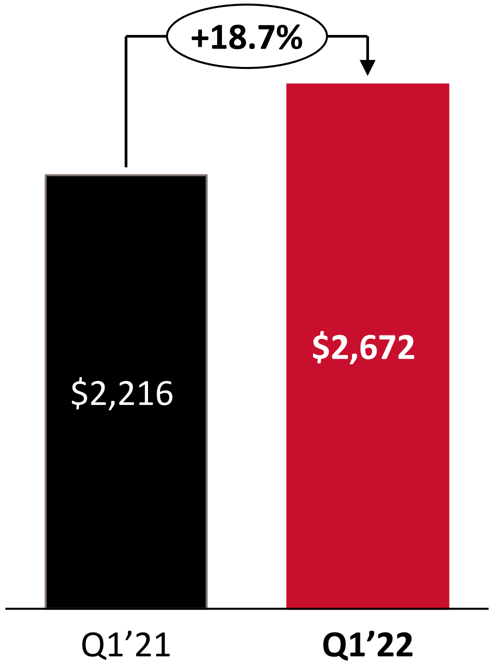
Note: Guidance on an adjusted basis as of April 28, 2022.
(1) CapEx as reflected in the cash flow statement.

Q1 2022 Segment Highlights: *High-Touch Solutions N.A.*

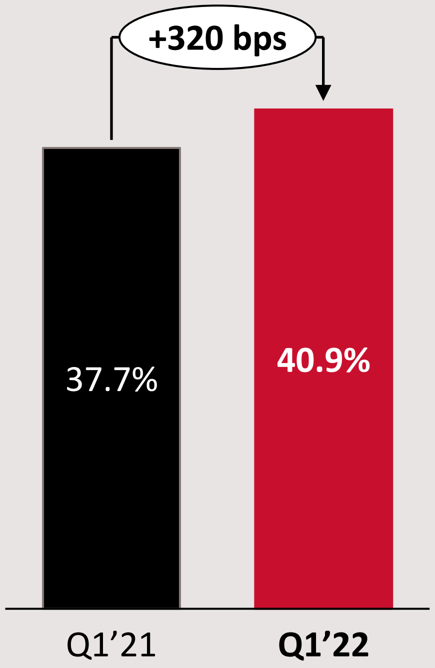
U.S.

($ millions)

Daily Sales



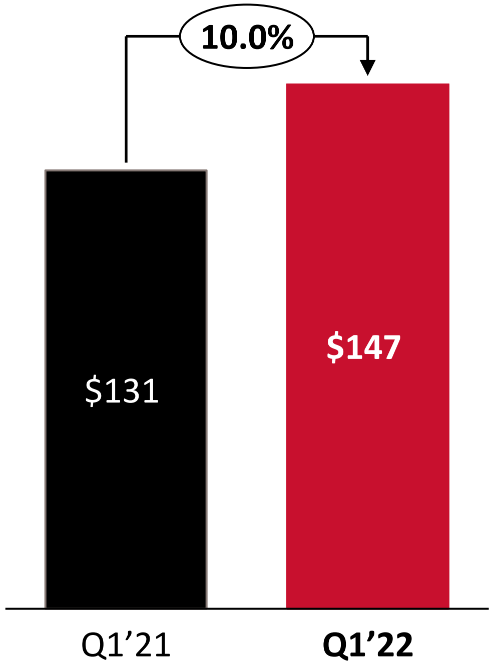
Gross Profit



Canada

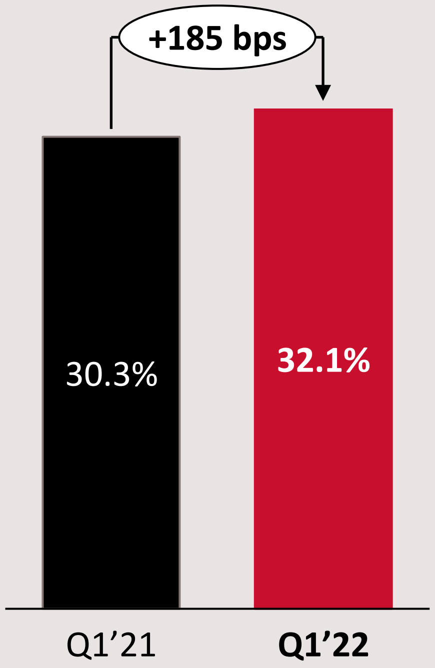
($ millions)

Daily Sales



Local days and currency: 11.8%

Gross Profit



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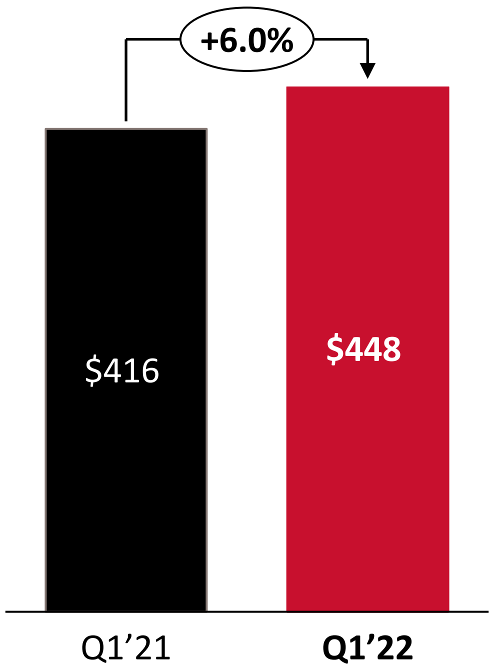
Q1 2022 Segment Highlights: *Endless Assortment*

MonotaRO [1]

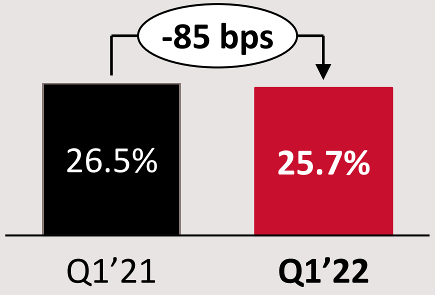
($ millions)

Daily Sales

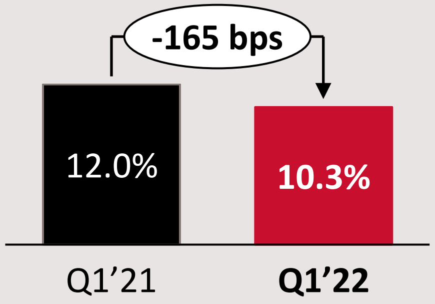


Local days and currency: 18.4%

Gross Profit



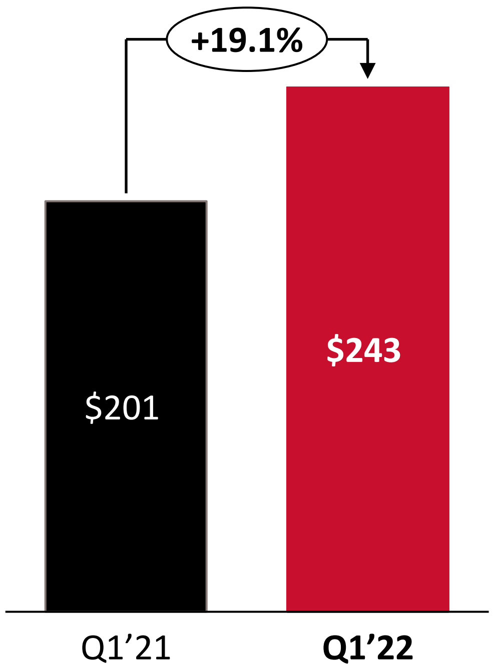
Op. Margin



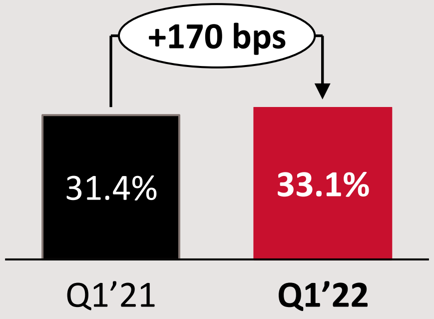
Zoro U.S.

($ millions)

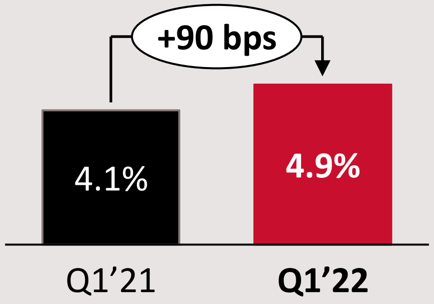
Daily Sales



Gross Profit



Op. Margin



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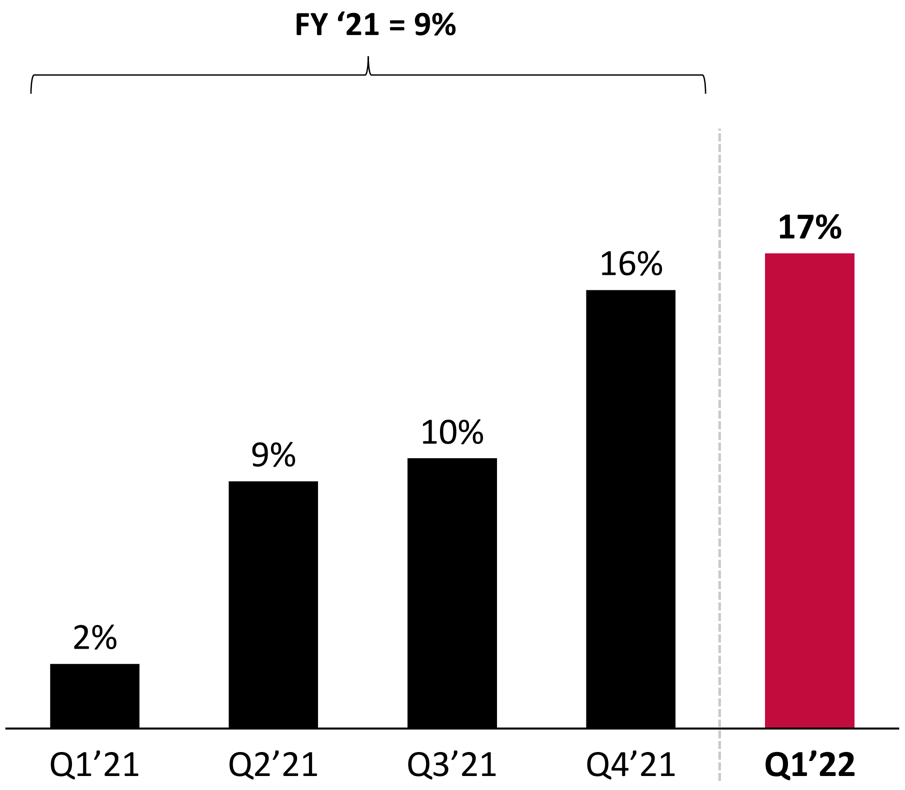
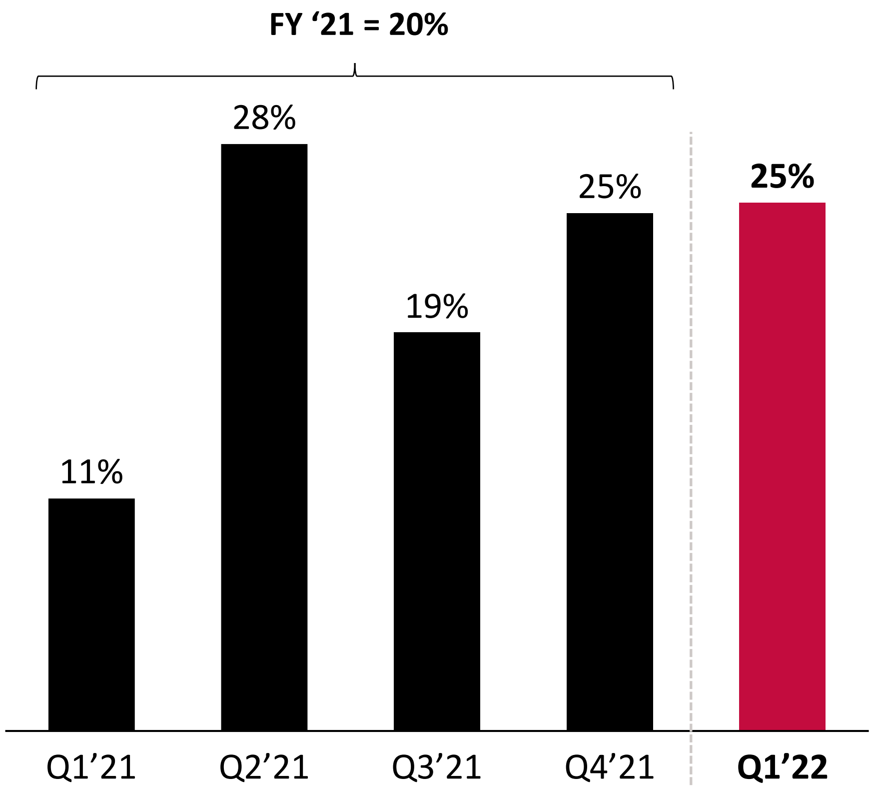
Q1 2022 Sales Performance: *High-Touch Solutions - U.S.*

Large Customers (1)



Mid-sized Customers (1)



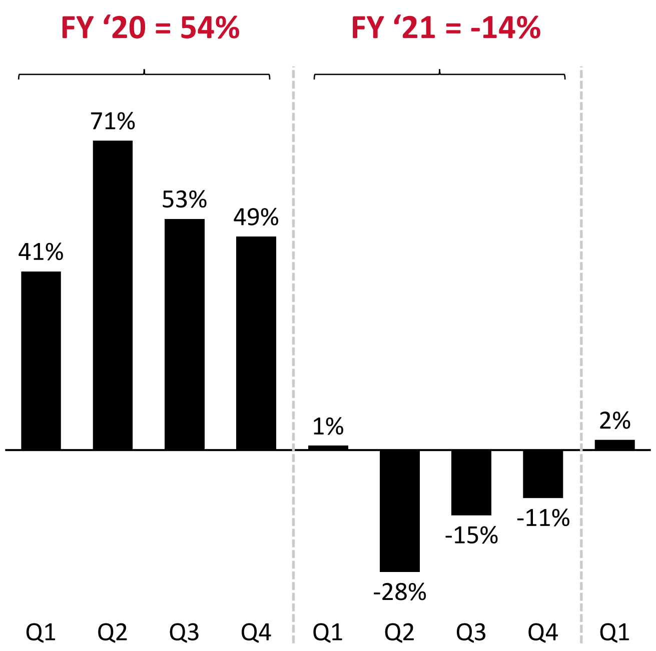
(1) Large customer revenue of $8.2 billion and mid-sized customer revenue of $1.4 billion for the last twelve-month period ending March 31, 2022. These numbers exclude specialty brands and revenue recognition adjustments which are included in the High-Touch Solutions - U.S. business.

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

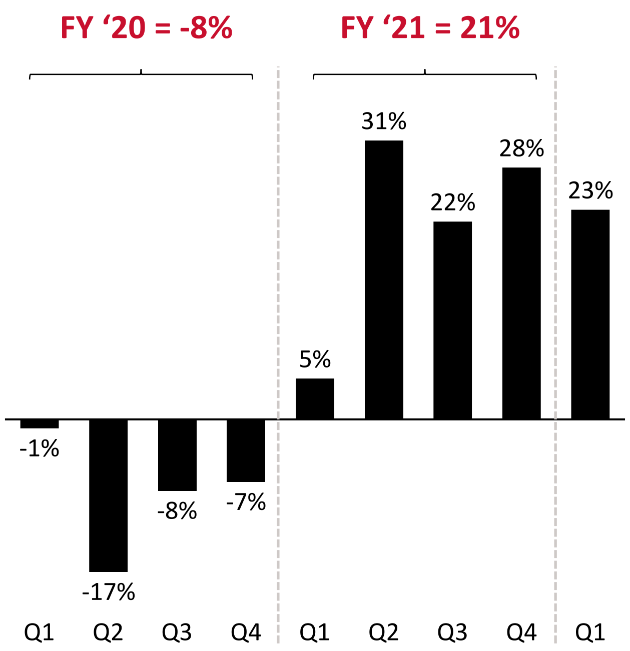
Pandemic mix has normalized to pre-pandemic levels and no longer a key indicator of HTS – U.S. performance

(year-over-year change in daily sales)

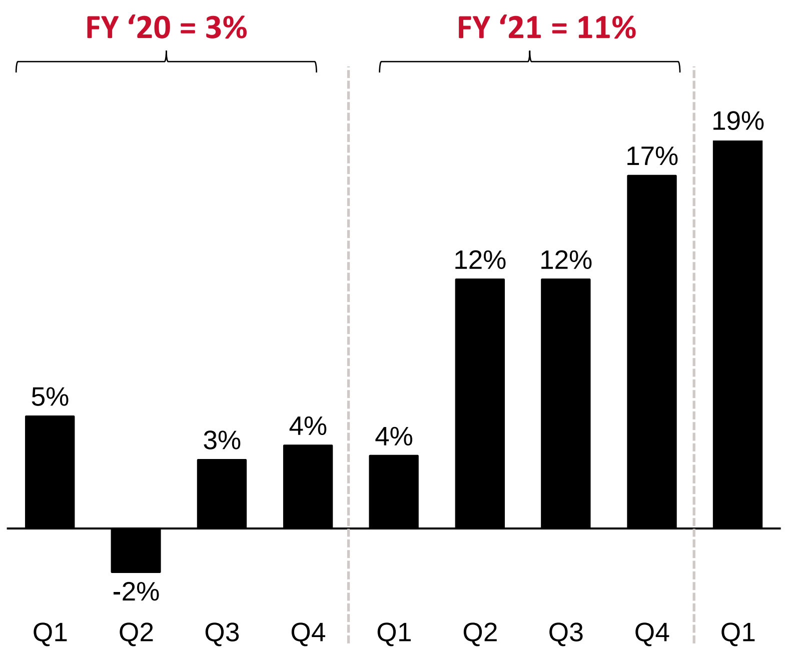
Pandemic-related Sales (1)



Non-pandemic Sales (1)



High-Touch Solutions - U.S.



(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.

Q1 2022 U.S. Business Sales By Customer End Market

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

Q1 2022 Quarterly Daily Sales Growth

Q1 2022 Daily Sales (Total Company) [1]

Month	Reported Sales (U.S. Selling Days) Q1 2021	Reported Sales (U.S. Selling Days) Q1 2022	FX Impact	Constant Currency
January	8.5%	13.3%	1.5%	14.8%
February	3.0%	17.8%	1.7%	19.5%
March	1.8%	18.0%	1.4%	19.4%
Q1 Daily Sales	**4.4%**	**16.4%**	**1.5%**	**17.9%**

U.S. Selling Days

	2022	2021	2020
1Q	64	63	64
2Q	64	64	64
3Q	64	64	64
4Q	63	63	64
Full Year	**255**	**254**	**256**

Q1 2022 Daily Sales vs. Q1 2021[1]

Drivers	HTS-NA	HTS - U.S.	HTS - Canada
Volume/product mix	10.0%	10.1%	3.6%
Price/customer mix	8.2	8.6	6.5
Foreign Exchange	—	—	(0.1)
Daily Sales	**18.2%**	**18.7%**	**10.0%**
Foreign Exchange	—	—	0.1
Constant Currency	**18.2%**	**18.7%**	**10.1%**
Impact of Canadian Local Days			1.7%
Constant Currency in Local Days			**11.8%**

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(1) Based on U.S. Selling Days

Q1 2022 GAAP to Non-GAAP Reconciliations (1 of 2)

(in millions of dollars)

		March 31, 2022
Condensed Consolidated Balance Sheet		
Long-term debt	$	2,338
Less: Cash and cash equivalents		(364)
Net Debt	$	1,974
		LTM ending March 31, 2022
Condensed Consolidated Statement of Earnings		
Net earnings	$	1,244
Income taxes		415
Other expense, net		64
Condensed Consolidated Statement of Cash Flows		
Depreciation and amortization		194
EBITDA	$	1,917
Net Debt to EBITDA		**1.0x**

(in millions of dollars)

		Three Months Ended March 31, 2022
Operating Cash Flow	$	343
Less: Additions to property, buildings, equipment and intangibles		57
Free Cash Flow	$	286

Note: Management believes the presentation of Net Debt to 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 EBITDA.

Q1 2022 GAAP to Non-GAAP Reconciliations (2 of 2)

(in millions of dollars)	Three Months Ended March 31,			
	2022		2021	
Sales				
High-Touch Solutions N.A.	$ 2,878		$ 2,397	
Endless Assortment	697		622	
Other	72		65	
Net sales	$ 3,647		$ 3,084	
	2022	Op. Margin	2021	Op. Margin
Operating earnings[1]				
High-Touch Solutions N.A.	$ 481	16.7 %	$ 306	12.8 %
Endless Assortment	55	7.9 %	55	8.9 %
Other	(2)	(2.9)%	(3)	(4.5)%
Operating earnings	$ 534	14.6 %	$ 358	11.6 %
ROIC* for Company	41.0 %		30.3 %	
ROIC* for High-Touch Solutions N.A.	43.9 %		30.3 %	
ROIC* for Endless Assortment	33.8 %		34.9 %	

*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 2-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 (2-point average of $155.8 million), prepaid and deferred taxes, operating lease right-of-use assets and investments in unconsolidated entities, plus the LIFO reserve (2-point average of $528.4 million). Working liabilities are the sum of trade payables, accrued compensation and benefits, accrued contributions to employees' profit sharing plans, and accrued expenses.

	Total Company		HTS-NA		EA	
	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
	2022	2021	2022	2021	2022	2021
Reported sales	18.2%	2.8%	20.1%	1.8%	12.1%	25.4%
Daily impact	(1.8)	1.6	(1.9)	1.6	(1.7)	2.0
Daily sales	16.4%	4.4%	18.2%	3.4%	10.4%	27.4%
Business divestitures[2]		2.6	—	—	—	—
Organic daily sales	**16.4%**	**7.0%**	**18.2%**	**3.4%**	**10.4%**	**27.4%**
Foreign exchange	1.5	(1.1)	—	(0.3)	7.0	(4.1)
Organic constant currency sales	**17.9%**	**5.9%**	**18.2%**	**3.1%**	**17.4%**	**23.3%**

Local Selling Day Impact			Canada		MonotaRO	
Reported sales			11.7%	1.7%	7.7%	31.8%
Local day impact			—	1.6	—	—
Local daily sales			11.7%	3.3%	7.7%	31.8%
Foreign exchange			0.1	(6.1)	10.7	(6.3)
Local days and currency			**11.8%**	**(2.8)%**	**18.4%**	**25.5%**

(1) Neither Q1 2022, nor Q1 2021 results contained any adjusting items, therefore adjusted results are consistent with reported results for presented periods.
(2) Represents the results of the Fabory business (divested on 6/30/2020) and the Grainger China business divested on 8/21/2020.

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