W.W. Grainger, Inc.

Standard IR Presentation

As of October 24th, 2019

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 in the forward-looking statements include, among others: higher product costs or other expenses; a major loss of customers; loss or disruption of source of supply; increased competitive pricing pressures; failure to develop or implement new technology initiatives; the implementation, timing and results of our strategic pricing initiatives; 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, privacy and cyber security matters; investigations, inquiries, audits and changes in laws and regulations; disruption of information technology or data security systems; general industry, economic, market or political conditions; general global economic conditions; currency exchange rate fluctuations; market volatility; commodity price volatility; labor shortages; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; natural and other catastrophes; unanticipated and/or extreme weather conditions; loss of key members of management; our ability to operate, integrate and leverage acquired businesses; changes in effective tax rates; our common stock, including volatility in our stock price; and other factors which 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 net sales in constant currency, adjusted gross profit, adjusted operating margin, adjusted segment operating earnings, adjusted 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.

Who We Are

- Leading distributor of MRO products for businesses
- Founded in 1927; more than 90 years of service
- 2018 revenues of $11.2 billion
- More than 3 million active customers, average customer invoice ~$300
- eCommerce leadership:
  - Grainger is ranked 11th largest eCommerce retailer in North America by *Internet Retailer*
  - First commerce-enabled website in the industry (1996)
  - Online-only businesses for small customers (MonotaRO 2000; Zoro 2010)
  - 71% of orders originated through digital channels in the U.S. (Grainger.com, KeepStock® and EDI/ePro)
- Strong balance sheet and cash flow generation

Competitive Business Models

Where We Compete

Business Model	Description	Where We Compete
High-Touch Solutions	• Stocked assortment of high quality industrial MRO products • High-touch model tailored to complex customer needs • Strong technical knowledge in categories	Grainger, Acklands-Grainger, Cromwell
Endless Assortment	• Very broad assortment across all B2B categories • Competitive prices and simplified customer experience	Zoro, MonotaRO
Category Specialists	• Portfolio of category-specific products • Deep technical and application knowledge	
Big Box Retailer	• Convenient and widespread store locations • Caters to need-it-now purchases	

Strategic Pillars

Business Models	Businesses	Pillars
High-Touch Solutions Model *Compelling value-added MRO solutions delivered to customers through teams of experts and curated digital experiences*	• U.S. • Canada • Mexico • Cromwell • Fabory	• Advantaged MRO Solutions • Differentiated Sales and Services • Unparalleled Customer Service
Endless Assortment Model *Easy purchasing through a streamlined and transparent online relationship that provides access to everything a business customer needs*	• Zoro • MonotaRO	• Expansive Product Assortment • Innovative Customer Acquisition Capabilities

Grainger's Portfolio and 2018 Performance

		Revenue	Daily Revenue Growth %	Adjusted[2] OE%	Adjusted[2] ROIC	Strategic Pillars	
High-Touch Solutions	U.S.[1]	$8.6B	7%	16%	43%	• Advantaged MRO Solutions • Differentiated Sales & Services • Unparalleled Customer Service	Improve the cost structure
	Canada	$0.7B	(14%)	(2%)	~(3%)		
	International[3]	$0.9B	3%	3%	<5%		
Endless Assortment		$1.5B	23%	9%	~40%[4]	• Expand the Assortment • Build Marketing & Analytics Capabilities	
TOTAL COMPANY[5]:		$11.2B	7%	12%	29%		

GRAINGER® FOR THE ONES WHO GET IT DONE

1. U.S. segment includes specialty brands. 2. As of 12/31/18. Please see slides 12-13 for reconciliation. 3. International includes Cromwell, Fabory, Mexico and China. 4. ROIC shown is for MonotaRO, which serves as a proxy for the overall single channel business. 5. Total company includes eliminations and unallocated expenses. Numbers may not sum due to rounding.

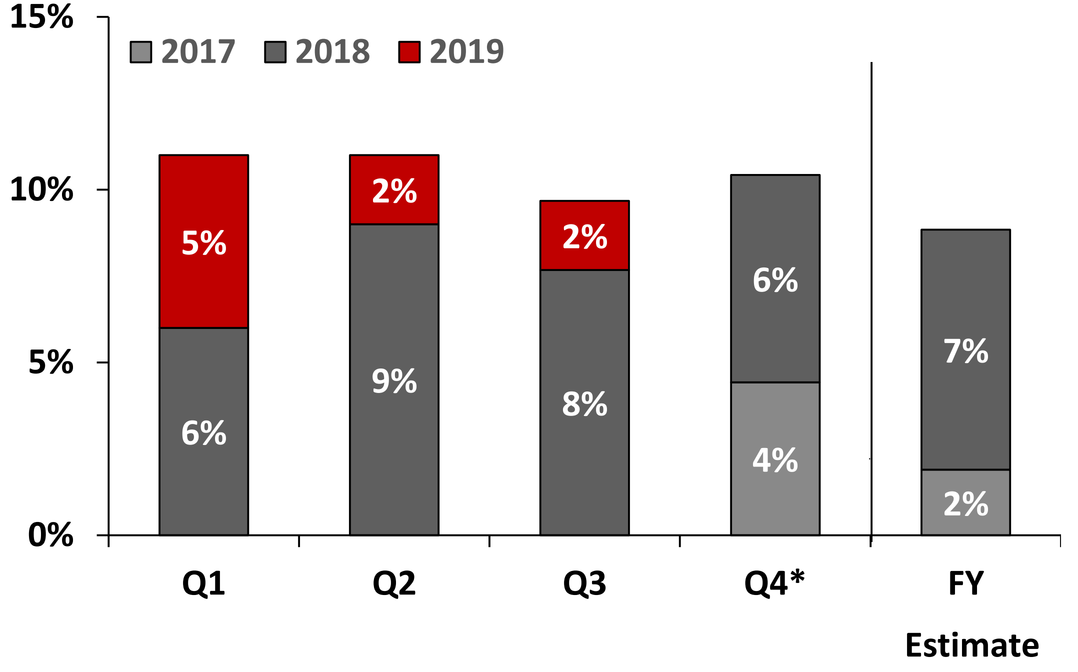
U.S. Growth Initiatives

	Foundational	Incremental
Advantaged MRO Solutions	• Product and customer information improvements • Website improvements • Marketing improvements	• Marketing investments • Merchandising and product adds
Differentiated Sales and Services	• CRM* improvements driven by customer information and analytics • Industry strategies • Seller effectiveness • KeepStock®	• Expanded services • Select seller additions • Corporate account growth
Unparalleled Customer Service	• Seamless customer experience • Stocked assortment/availability • Fulfillment – same/next-day complete	• Louisville distribution center operational in 2020, increased stocking capacity

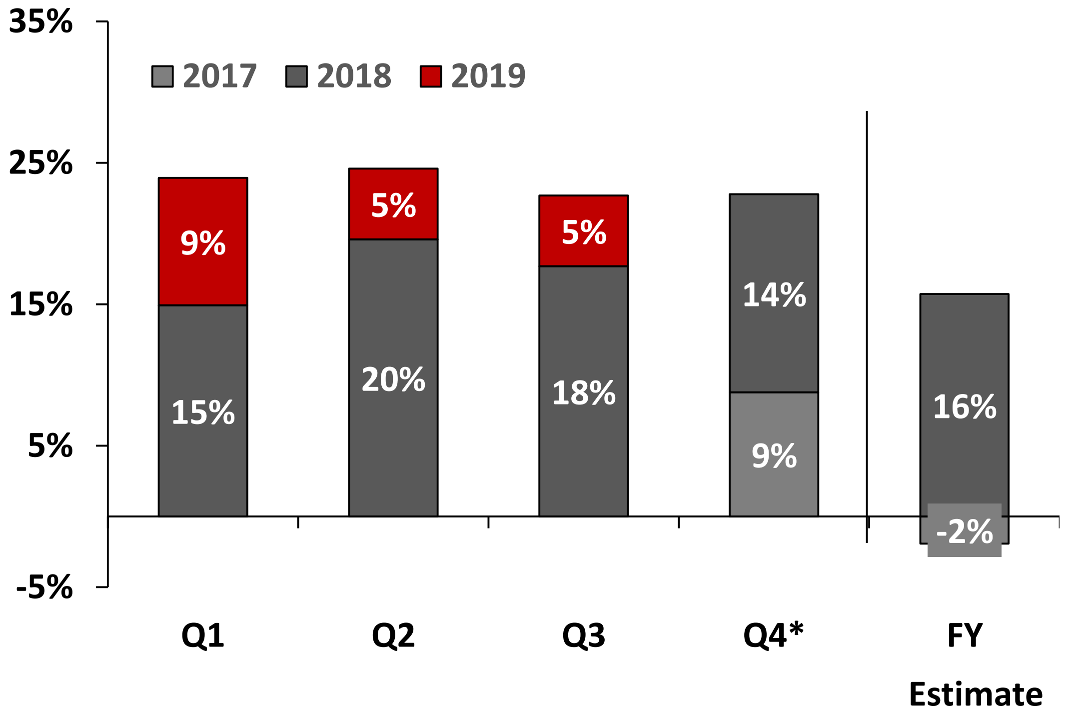
*CRM = Customer Relationship Management

U.S. Large and Midsize Sales Performance

U.S. Large: daily sales growth on $6.8 billion of revenue



U.S. Midsize: daily sales growth on $1.0 billion of revenue



	Q1	Q2	Q3	Q4*	FY Estimate	Q1	Q2	Q3	Q4*	FY Estimate
U.S. MRO Market 2019[1]	2-2.5%	~1%	~0%		(1)-2%	2-2.5%	~1%	~0%		(1)-2%

*Q4'18 sales are normalized for a negative 1 ppt. impact from Christmas/New Years timing. U.S. Large revenue of $6.8 billion and U.S. Midsize revenue of $1.0 billion as of 12/31/2018. 1. In the U.S., MRO market estimates are based on data from Global Insight (October 2019).

Canada 2018/2019 Business Reset Actions and Progress

GROSS MARGIN IMPROVEMENT

- (Completed) Market price reset
- (Completed) Optimize COGS through cross-border relationships with suppliers
- (Ongoing) Optimize customer contracts

RESET COST STRUCTURE

- (Completed) Close 100+ branches
- (Completed) Optimize sales coverage model
- (Completed) Create North American centers of excellence

DRIVE PROFITABLE GROWTH

- (Ongoing) Offer U.S. product assortment in Canada. Plan to add 100K to 200K products
- (Ongoing) Improve website functionality. Includes guest checkout and self-serve options
- (Ongoing) Create a high-performing, high-impact sales and services organization, with focus on diverse end-marks and geographic mix across Eastern and Western Canada

COMPLETED ONGOING

Growing Zoro U.S.

Growth Initiatives

- **Expanding the assortment:**
  - Currently 3.1 million SKUs in the assortment
  - Plan to add 10 million items over the next 3-5 years
- **New product information management system**
  - Less reliance on Grainger Supply Chain
  - Ability to add SKUs faster than Grainger process
- **Launched branding campaign in September and new analytics platform**
- **Adding new engineering, marketing and analytics talent**
- **Running the MonotaRO playbook**

2019 Guidance

	2018A	2019E
Sales *($ billions)*	**$11.2**	**$11.4 – $11.7**
% vs. prior year	*8%*	*2% - 5%*
U.S. Market (price + volume)	*4%*	*(1)% - 2%*
Gross Profit Margin	**38.7%**	**38.1% - 38.7%**
bps vs. prior year	*(20)**	*(60) – 0*
Op Margin	**12.0%**	**12.2% - 13.0%**
bps vs. prior year	*100*	*20 - 100*
Tax Rate	**21.7%**	**24.5% - 27.5%**
EPS	**$16.70**	**$17.10 - $18.70**
% vs. prior year	*46%*	*2% - 12%*

Note: Guidance as of 7/24/2019. Reference slides 13-14 for GAAP vs. non-GAAP reconciliation.

*Normalized for revenue recognition

Appendix

2017 and 2018 GAAP to Non-GAAP Reconciliations

	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	%	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017	%
Diluted earnings per share reported	$ 3.68	$ 2.63	40%	$ 13.73	$ 10.02	37%
Restructuring (United States)	0.08	0.25		0.33	0.76	
Branch gains (United States)	(0.02)	(0.08)		(0.18)	(0.56)	
Other (gains)/charges (United States)	-	(0.03)		-	(0.08)	
Restructuring (Canada)	0.23	0.22		0.61	0.67	
Branch gains (Canada)	(0.01)	-		(0.01)	-	
Restructuring (Other businesses)	0.03	0.24		0.11	0.94	
Intangible charges (Other businesses)	-	-		2.43	-	
Restructuring (Unallocated expense)	0.05	0.18		(0.03)	0.18	
Total pretax adjustments	0.36	0.78		3.26	1.91	
Tax effect of impairment	-	-		(0.10)	-	
Tax effect (1)	(0.08)	(0.21)		(0.19)	(0.21)	
U.S. tax legislation (2)	-	(0.06)		-	(0.06)	
Discrete tax items	-	(0.20)		-	(0.20)	
Total, net of tax	0.28	0.31		2.97	1.44	
Diluted earnings per share adjusted	$ 3.96	$ 2.94	35%	$ 16.70	$ 11.46	46%

	Twelve Months Ended December 31, 2018 Total Company
Tax rate reported	23.9%
Stock-based compensation	-1.3%
Restructuring, impairment and other charges, net	-0.9%
Tax rate adjusted	21.7%

	Three Months Ended December 31, 2018 U.S. Segment	Three Months Ended December 31, 2018 Total Company
Net sales growth reported	6%	5%
Foreign exchange	—	1
Constant currency sales growth reported	6	6
Selling day adjustment (64 days v. 63 days)	(1)	(2)
Net sales growth on daily basis	5	4
December holiday timing	1	1
Net sales growth normalized for holiday timing	6%	5%

(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. (2) U.S. tax legislation reflects 2017 impact of the benefit of re-measurement of deferred taxes, partially offset by one-time deemed repatriation tax.

This slide presentation also includes certain non-GAAP forward-looking information (including, but not limited to, slides 10-12). 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.

2017 and 2018 GAAP to Non-GAAP Reconciliations

(in millions of dollars)	Three Months Ended December 31,		%	Twelve Months Ended December 31,		%
	2018	2017		2018	2017	
Operating earnings reported	$ 290	$ 236	23%	$ 1,158	$ 1,035	12%
Restructuring (United States)	4	14		18	44	
Branch gains (United States)	(1)	(5)		(10)	(33)	
Other charges (United States)	-	(2)		-	(4)	
Restructuring (Canada)	13	13		36	39	
Branch gains (Canada)	(1)	-		(1)	-	
Restructuring (Other Businesses)	2	14		6	55	
Intangible Charges (Other Businesses)	-	-		139	-	
Restructuring (Unallocated expense)	3	11		(2)	11	
Subtotal	20	45		186	112	
Operating earnings adjusted	$ 310	$ 281	10%	$ 1,344	$ 1,147	17%

Note: The $45.1 million of restructuring and other (gains)/charges is composed of the following: United States: $1.5 million of cost of merchandise sold expense and $6.5 million of operating expense; Canada: $5.7 million of cost of merchandise sold expense and $7.1 million of operating expense; Other Businesses: $3.3 million of cost of merchandise sold expense and $10.4 million of operating expense; Unallocated expense: $10.6 million of operating expense.

(in millions of dollars)	Three Months Ended December 31,			Twelve Months Ended December 31,	
	2018	2017	%	2018	2017
Segment operating earnings adjusted					
United States	$ 309	$ 294		$ 1,346	$ 1,207
Canada	1	(4)		(14)	(37)
Other Businesses	32	25		153	111
Unallocated expense	(32)	(34)		(141)	(134)
Segment operating earnings adjusted	$ 310	$ 281		$ 1,344	$ 1,147
ROIC* for Company				28.5%	24.3%
ROIC* for United States				43.4%	39.8%
ROIC* for Canada				-3.2%	-7.0%

*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 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 $173.6 million), deferred taxes, and investments in unconsolidated entities, plus the LIFO reserve (5-point average of $386.7 million). Working liabilities are the sum of trade payables, accrued compensation and benefits, accrued contributions to employees' profit sharing plans, and accrued expenses.

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