

NYSE: GWW

Grainger Investor Presentation

August 2020

GRAINGER[®]





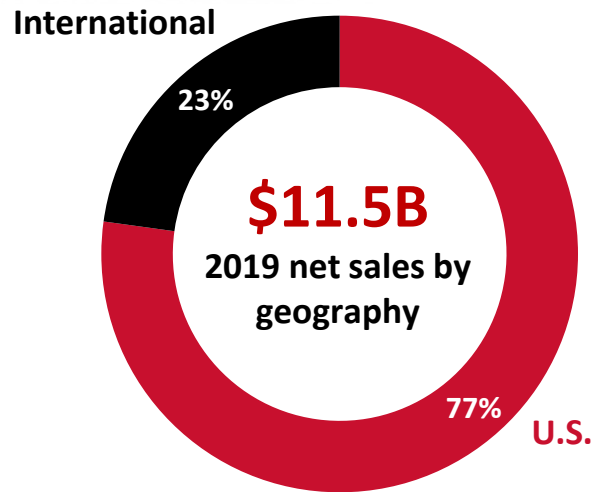
Safe Harbor Statement and Non-GAAP Financial Measures

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 in the forward-looking statements include, without limitation: the unknown duration and the health, economic, operational and financial impacts of the global outbreak of the Coronavirus in 2019 (COVID-19 pandemic) and the actions taken or contemplated by governmental authorities or others in connection with the COVID-19 pandemic 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, the uncertain duration of 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, 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, adaptations to the Company’s controls and procedures, including financial reporting processes, required by working remote 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 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; 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, 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; pandemic diseases or viral contagions; natural and other catastrophes; unanticipated and/or extreme weather conditions; loss of key members of management; the company’s ability to operate, integrate and leverage acquired businesses; changes in effective tax rates; changes in credit ratings or outlook; the company’s incurrence of indebtedness 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 daily sales in constant currency, adjusted operating earnings, adjusted segment operating earnings, adjusted net earnings, adjusted diluted earnings per share, adjusted return on invested capital, free cash flow, net debt to adjusted EBITDA, and adjusted operating margin is available in the appendix to this presentation and our most recent earnings release. This presentation also includes certain non-GAAP forward-looking information. 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.



Leading broadline distributor of MRO products and services determined to *Keep the World Working* through innovative technology solutions and deep customer relationships⁽¹⁾



Largest MRO distributor in North America	11th largest N.A. e-commerce retailer ⁽²⁾
48 years of consecutive dividend increases	Company founded in 1927

~25k
team members

>20M
products offered globally

3.5M
active customers

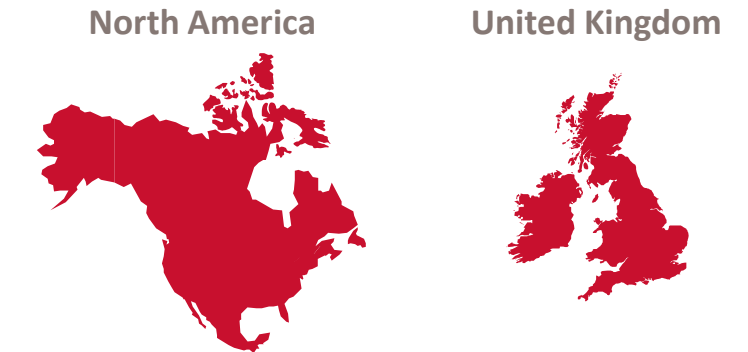
>75%⁽³⁾
orders through digital channels

Go-to-market Approach



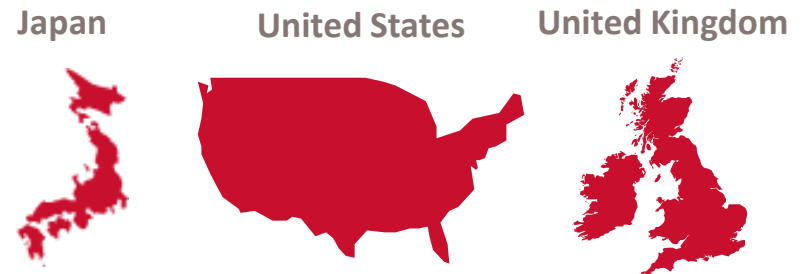
High-Touch Solutions

Value-added MRO solutions rooted in deep product knowledge and customer expertise



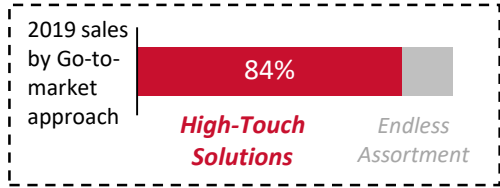
Endless Assortment

Streamlined and transparent online relationship with one-stop shopping for millions of products



(1) MRO stands for maintenance, repair and operating
 (2) Source: Digital Commerce 360 (2020 Top 500 ranking of North American online retailers)
 (3) Total company. Includes sales through website channels (Grainger, Zoro, MonotaRO), EDI/ePro and KeepStock.

High-Touch Solutions



Offer

Value-added MRO solutions rooted in deep product knowledge and customer expertise

Customer Base

- Higher complexity purchasing and product solutions (typically large / mid-sized businesses)

Strategic Pillars

- Competitively advantaged MRO solutions
- Differentiated sales and services
- Unparalleled customer service

Footprint & Brand⁽²⁾

<p>North America</p> <ul style="list-style-type: none"> 354 Branches 24 DCs ~900K SKUs in stock Large presence in U.S., Canada and Mexico 	
<p>U.K.</p> <ul style="list-style-type: none"> 53 Branches 1 DC Focused in U.K. (acquired in 2015) 	

Delivery Model⁽¹⁾⁽²⁾

Relationships	<p>Sales & Service Representatives</p>	<p>Digital</p>	<p>Over 3,000 sales and service representatives coupled with our digital solutions drive deep relationships with purchasers and end users</p>		
Origination	<p><i>Digital Channels</i></p> <p>Website 30% of orders</p> <p><i>Curated product info and search</i></p>	<p>EDI/ePro 25% of orders</p> <p><i>Integrated software in customer's purchasing process</i></p>	<p>KeepStock 16% of orders</p> <p><i>Vending & inventory management</i></p>	<p><i>Physical Channels</i></p> <p>Phone 19% of orders</p> <p><i>Strong technical knowledge across a wide range of product lines</i></p>	<p>Branch 10% of orders</p>
Fulfilment	<p><i>Direct-to-Customer</i></p> <p>Distribution Centers 70% of orders</p>		<p>KeepStock 17% of orders</p>	<p><i>Physical Pickup</i></p> <p>Branch Network 13% of orders</p>	

(1) Order data for Grainger U.S. only
 (2) Data as of or for year-ending December 31, 2019

Endless Assortment



Offer	<i>Easy purchasing through a streamlined and transparent online relationship with one-stop shopping for millions of products</i>	
Customer Base	<ul style="list-style-type: none"> Lower complexity purchasing and product solutions (typically small / mid-sized businesses) 	
Strategic Pillars	<ul style="list-style-type: none"> Expansive product assortment Innovative customer acquisition and retention capabilities 	
Footprint & Brand⁽²⁾	<p>Japan⁽¹⁾</p> <ul style="list-style-type: none"> ~18M available SKUs / 4 DCs Started in 2000 as JV between Grainger and Sumitomo GWW owns 51% stake Traded on TSE (ticker: 3064, ADR ticker OTCPK: MONOY) Market Cap: \$10.7B⁽³⁾ 	
	<p>U.S. & U.K.⁽²⁾</p> <ul style="list-style-type: none"> ~3.5M available SKUs Leverage Grainger & Cromwell DCs 	

Delivery Model		
Relationships	<p>Primarily Digital</p>	<i>Digital solutions and marketing to build strong customer relationships</i>
Origination	<p>Website</p>	<i>Streamlined search and transactional experience</i>
Fulfilment	<p>Distribution Centers + Drop Ship</p>	<i>Delivering broad "endless" assortment across all business-to-business categories at competitive prices</i>

(1) MonotaRO also has a small footprint outside of Japan representing <5% of their sales
 (2) Zoro also has nascent presence Germany
 (3) As of July 31, 2020

Investment Highlights





Compelling Investor Value Proposition



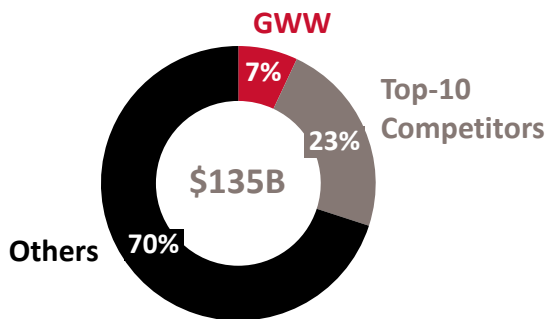
- 1 Industry leader in large, fragmented and highly-attractive market
- 2 Competitively advantaged offering with diversified end-market exposure
- 3 Multiple levers for organic growth and sustained value creation
- 4 Opportunity to showcase high-growth endless assortment (“EA”) business
- 5 Strong financial position supporting consistent return of capital
- 6 Resolute commitment to ESG⁽¹⁾ principles driven by vibrant employee culture



1 Industry leader ...

Continuing to grow market-leading position ...

Market-share leader with U.S. high-touch business ... ⁽¹⁾



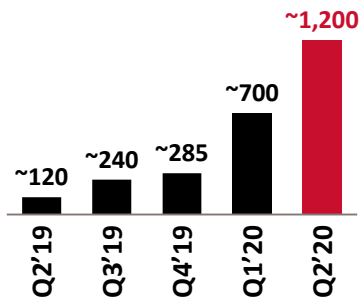
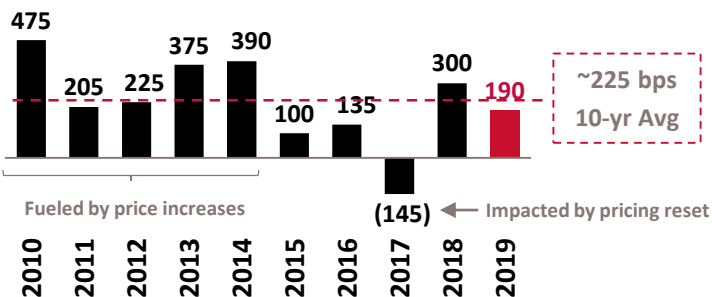
... coupled with differentiated, high-growth Endless Assortment channel

19%
2019 Growth

25%
5-year CAGR
(through 12/31/19)

U.S. high-touch business outgrowing broader MRO Market ⁽²⁾

(bps of outgrowth)



... with industry-leading MRO solutions

Top performer amongst peers in critical categories ⁽³⁾

- ✓ Overall customer satisfaction
- ✓ Digital experience
- ✓ Product selection & availability
- ✓ Order fulfilment & delivery
- ✓ Customer service & ease-of-doing business

SCALE, SUPPLY CHAIN & TECHNOLOGY advantages
fuel growth, support industry consolidation
and enable investment through-the-cycle

(1) Grainger U.S. reportable segment only (high-touch). Shown as a % of addressable U.S. market.

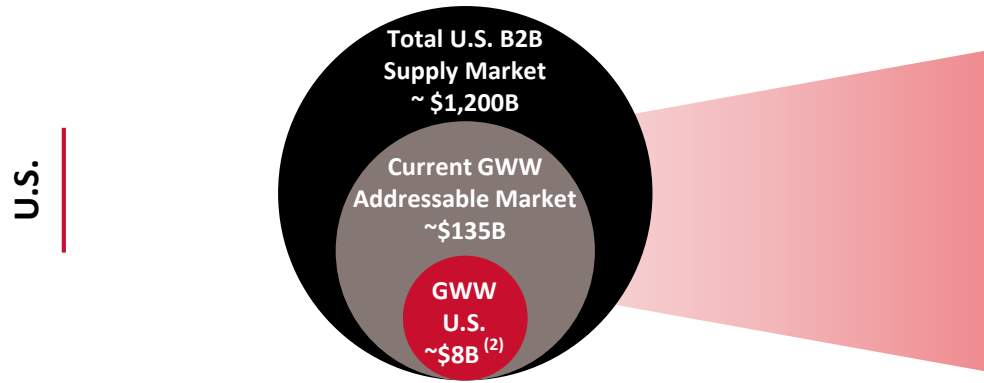
(2) Measured as daily sales growth of Grainger U.S. reportable segment only (high-touch) compared to estimated U.S. market growth. Market growth based on company estimates.

(3) Source: Various company surveys and analysis of customer and/or non-customer feedback.



1 ... in large, fragmented and highly-attractive market

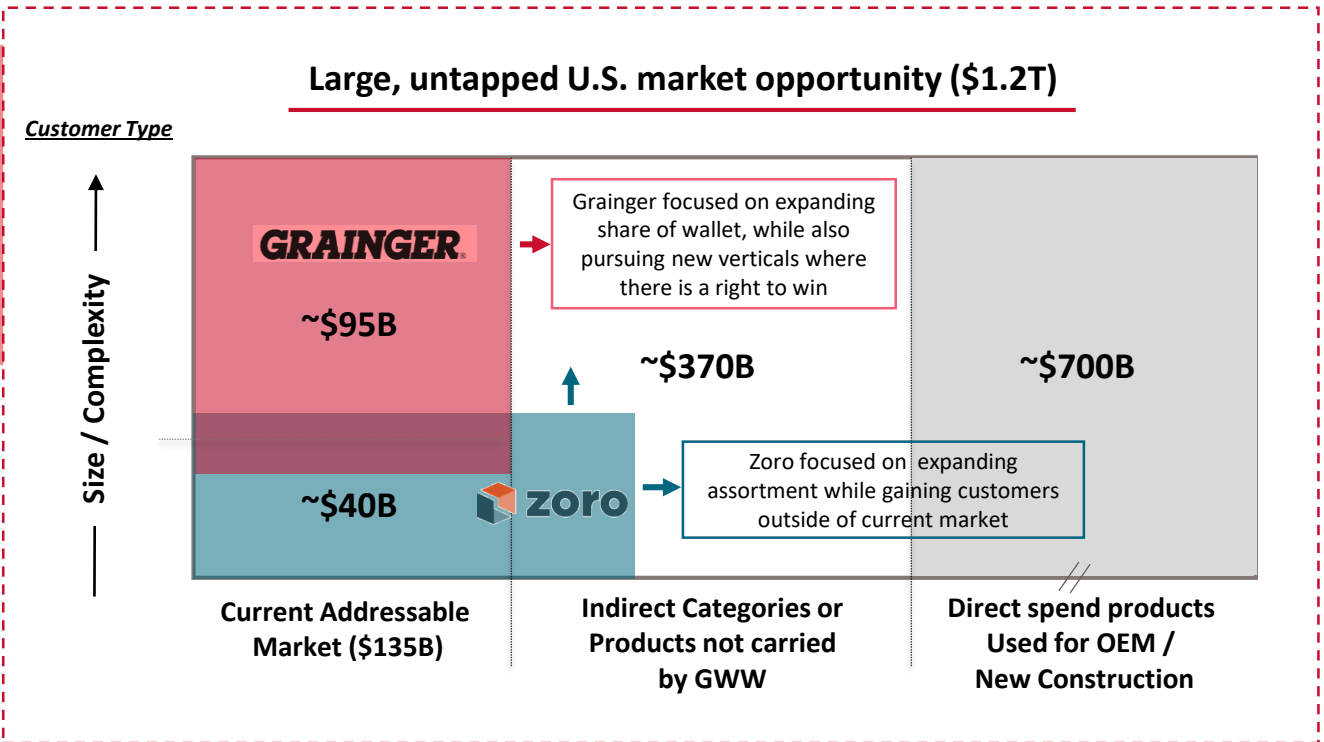
Large, fragmented industry with durable demand and favorable competitive characteristics ⁽¹⁾⁽²⁾



Other Geographies

	Market Share	Addressable Market
Canada	~4%	~\$12B
Mexico	~1%	~\$11B
Japan	~3%	~\$45B
U.K.	~2%	~\$17B

Global addressable market: ~\$225B



- ✓ Supply non-discretionary products and services
- ✓ Resilient end-market demand
- ✓ Limited number of large, sophisticated competitors



2 Competitively advantaged offering ...

High-Touch Solutions

Addressing customer pain points with world-class value proposition

- ✓ **BROAD ASSORTMENT** and product expertise
- ✓ Best-in-class **DIGITAL** experience
- ✓ Solutions based on **DEEP CUSTOMER KNOWLEDGE**

Endless Assortment

- ✓ **BROAD AND EXPANDING** product ASSORTMENT
- ✓ **COMPETITIVE PRICES**
- ✓ **BEST-IN-CLASS** fulfillment and delivery

- ✓ Access to **TEAM OF TECHNICAL EXPERTS**
- ✓ **PERSONAL RELATIONSHIPS** helping customers save time and money
- ✓ Suite of **VALUE-ADDED SERVICES** (e.g., supplier access, onsite resources, EHS training, inventory mgmt., consulting)

- ✓ Best-in-class **SHIPPED SAME DAY AND SHIPPED COMPLETE** performance
- ✓ **SIMPLE ORDER INTERFACE** across all channels
- ✓ **NO-HASSLE** invoicing and returns

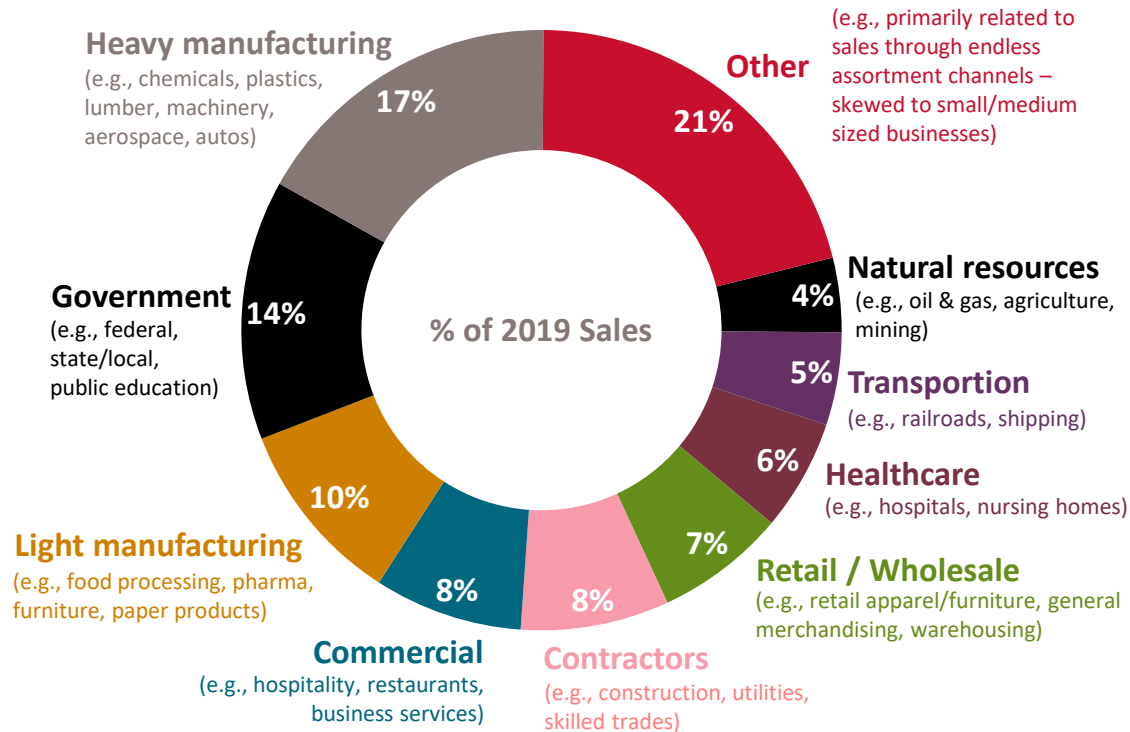


- ✓ **ANALYTICS**-led product and customer insights
- ✓ Innovative customer acquisition and retention capabilities building **STRONG CUSTOMER RELATIONSHIPS**
- ✓ **HASSLE-FREE**, consumer-like digital experience



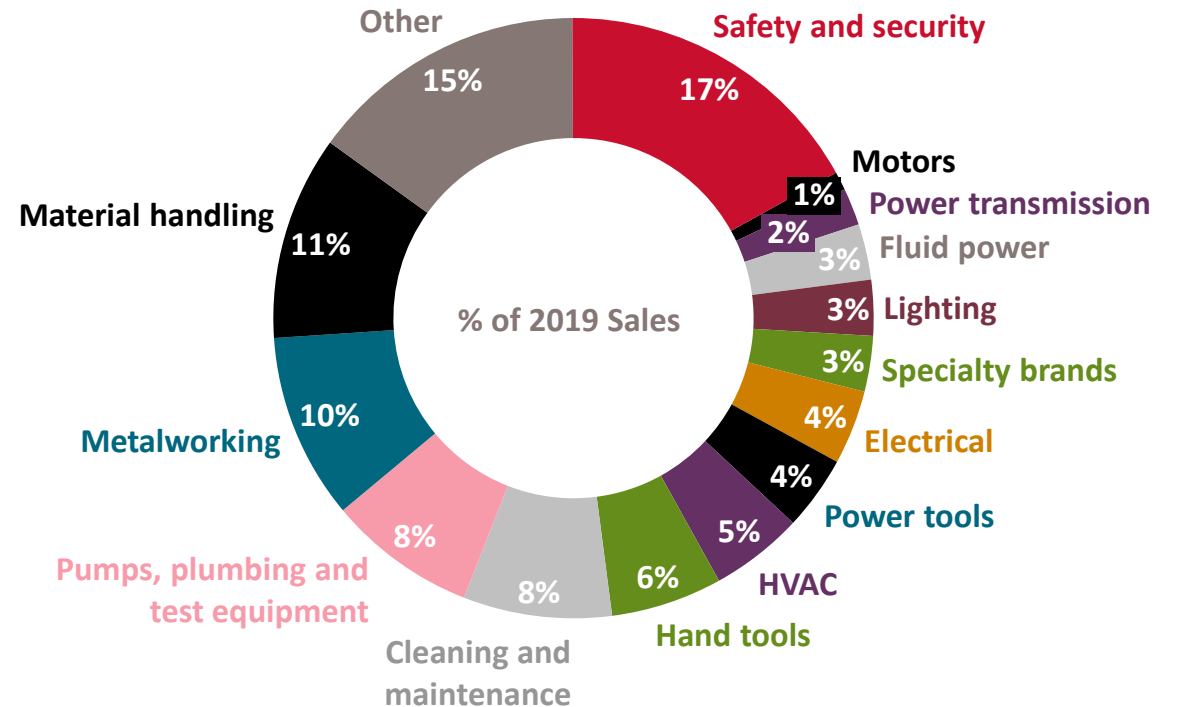
2 ... with diversified end-market exposure

Diversified customer base ...



No single customer accounts for >2% of total sales

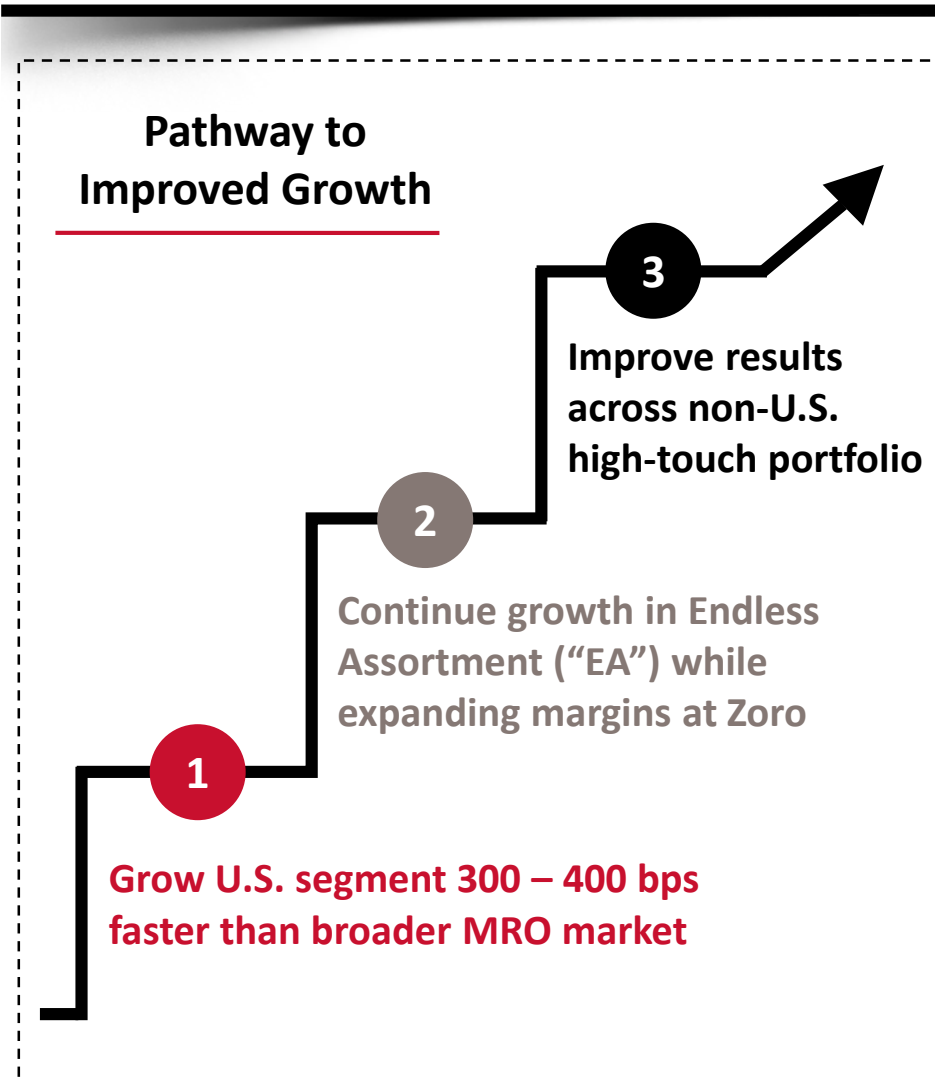
... with a broad product assortment



- 1.6M products from ~5,000 suppliers stocked in DCs
- ~20M products from endless assortment model



3 Multiple levers for organic growth ...



1) Grow U.S. segment 300 – 400 bps faster than broader MRO market

- ✓ Execute key near-term growth initiatives
 - Continue re-merchandising assortment
 - Improve marketing activities
 - Enhance technology and salesforce effectiveness

- ✓ Deepen customer relationships
 - Embed with KeepStock and other service offerings
 - Grow and retain mid-sized customers
 - Extend large customer relationships to c-suite

- ✓ Expand addressable market
 - Add new product categories; deepen existing ones
 - Expand into new customer segments

2) Continue growth in EA while expanding margins at Zoro

- ✓ Run MonotaRO playbook at Zoro to capture growth; continue rapidly adding SKUs
- ✓ Ramp OP% margin at Zoro (targeting low-single digits in '20 / mid-single digits in '21)

3) Improve results across non-U.S. high-touch portfolio

- ✓ Multi-year cost take-out actions largely completed; focused on re-growing top-line
- ✓ Streamlining portfolio through Fabory and China divestitures



3 ... and sustained value creation

Operational Execution

Successfully execute organic growth levers

+

Capture SG&A leverage to expand operating margins
(annual target to hold SG&A inflation to half the rate of sales growth)



MRO Market Stabilization

U.S. MRO market returns to normalized growth of 2% - 3% per year
(estimate U.S. MRO market grew between 0.5% - 1% in 2019)



Capital Allocation

Dividend Yield
(historically ~2%)

+

Share Repurchases ⁽¹⁾
(trailing 3 year-average of \$577M/year)



Potential for run-rate shareholder returns in the mid-teens



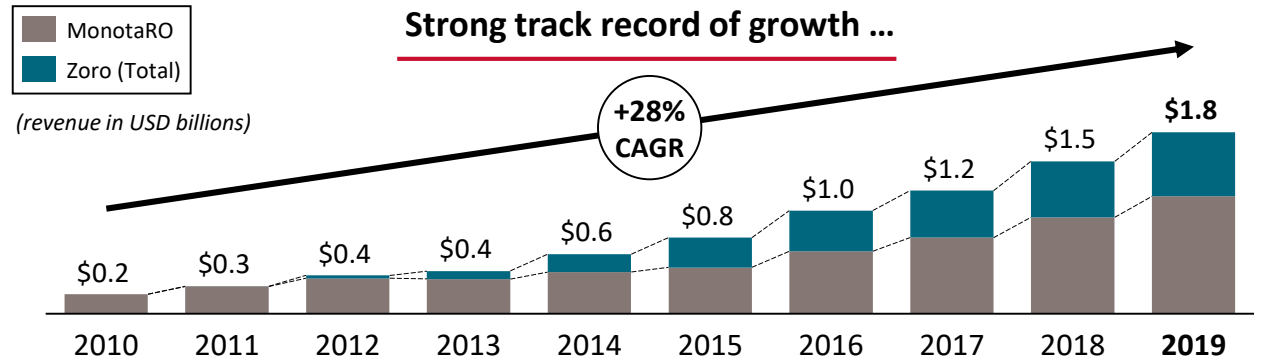
4 Opportunity to showcase high-growth EA business

Differentiated e-commerce channel ...

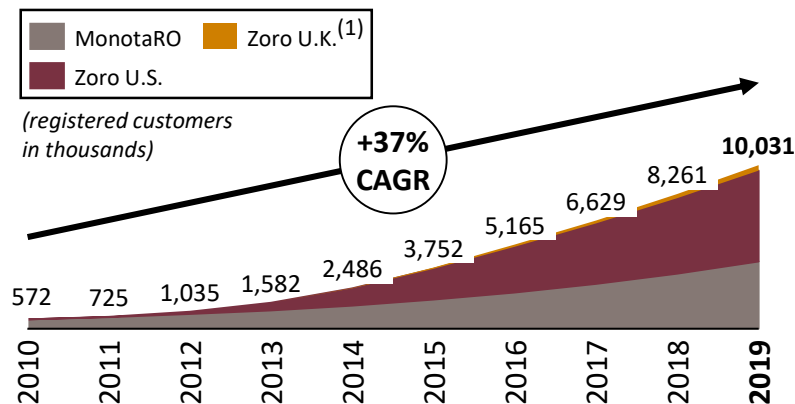
- ✓ Rapidly adding SKUs across very broad supplier base
- ✓ Using advanced data analytic techniques to establish competitive pricing, improve digital marketing efficiency and drive customer retention/acquisition
- ✓ Achieving impressive growth with attractive ROIC and tremendous market share opportunities

Evaluating ways to further highlight potential of EA business going forward

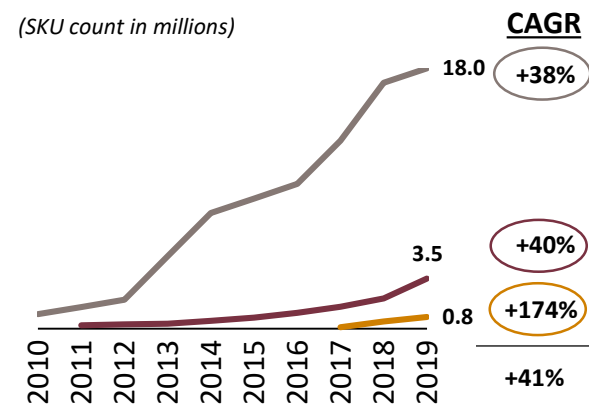
... growing at accelerated clip



... fueled by rapidly growing customer base ...



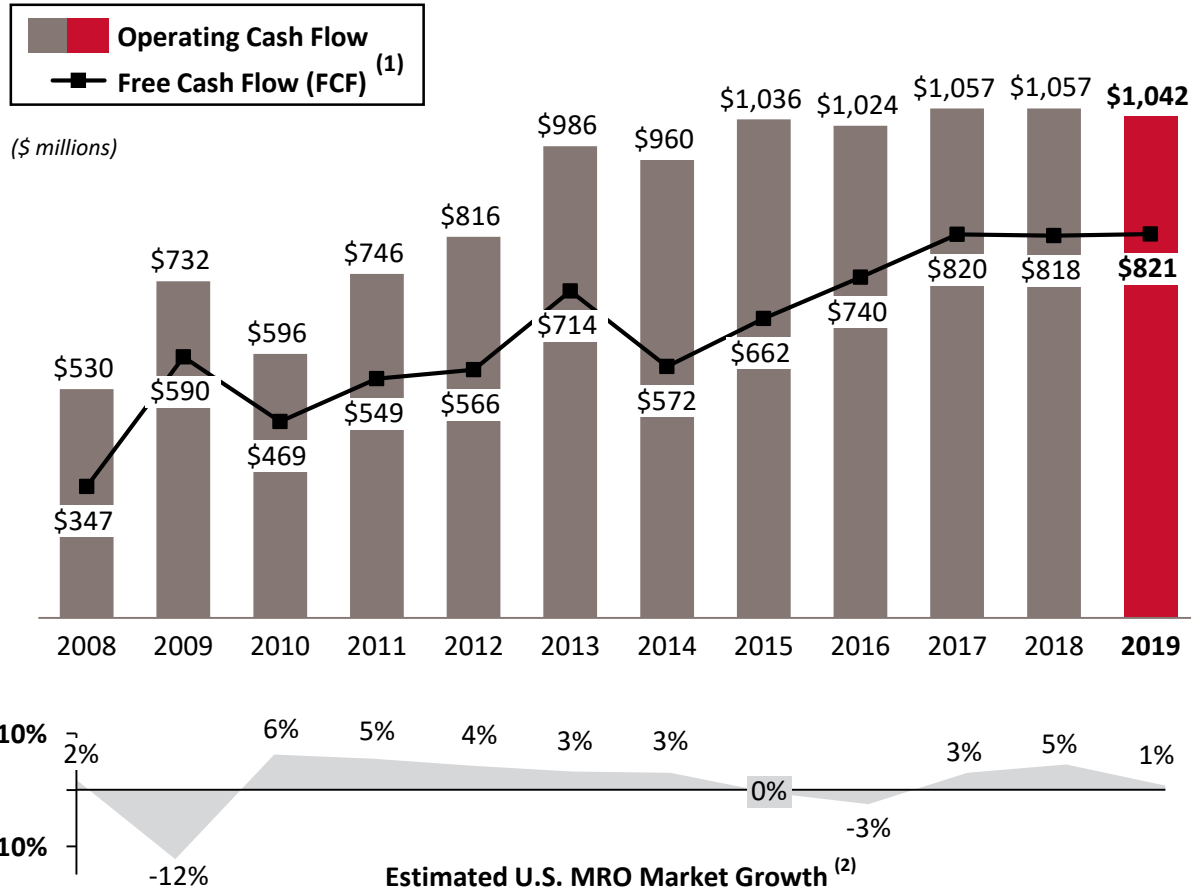
... and expanding SKU count





5 Strong financial position ...

Durable cash flow stream through-the-cycle ...



... coupled with prudent leverage and robust liquidity

1.1x⁽¹⁾
Net Leverage
 (as of Jun. 30, 2020)

- Targeting 1.0x - 1.5x
- No significant maturities until 2025

\$1.9B
Available liquidity
 cash + undrawn revolver
 (as of Jun. 30, 2020)

\$1.6B in cash

Credit Ratings
 (Issuer)

A+
 (Stable)

S&P

(last updated Feb. 21, 2020)

A3
 (Stable)

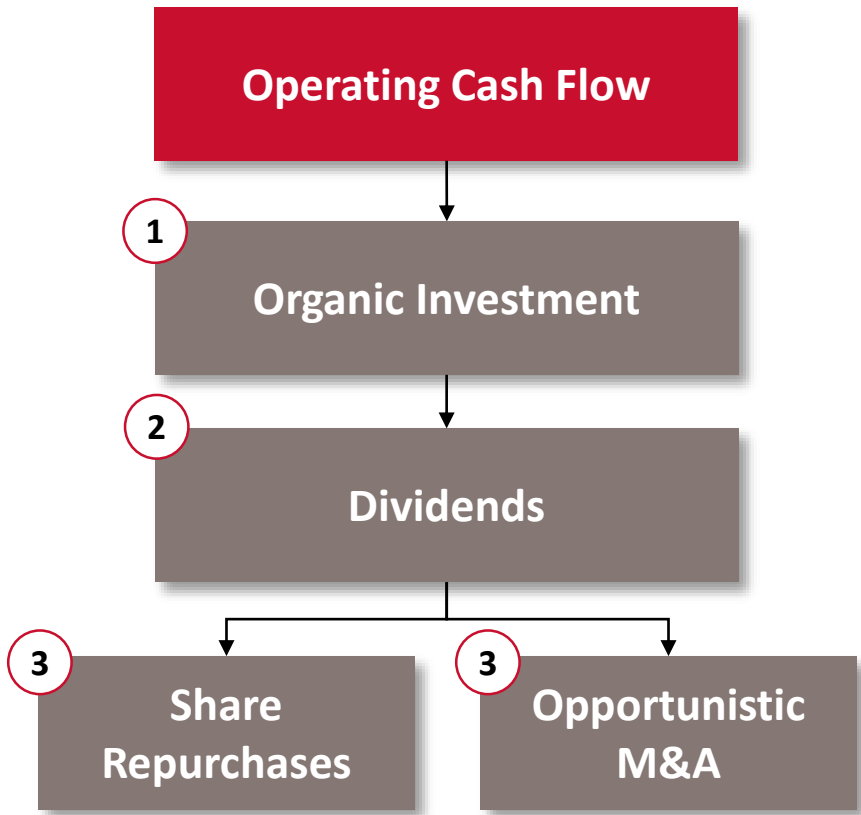
Moody's

(last updated Feb. 21, 2020)

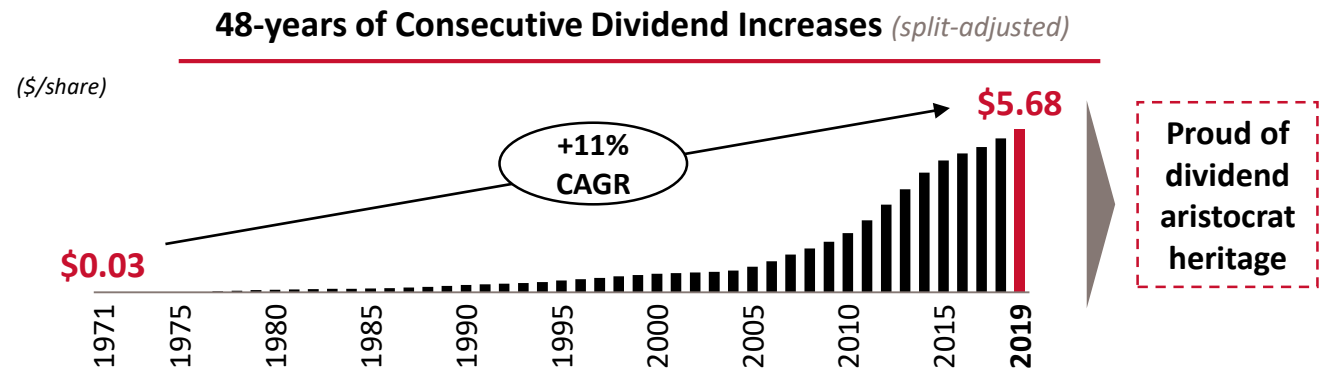
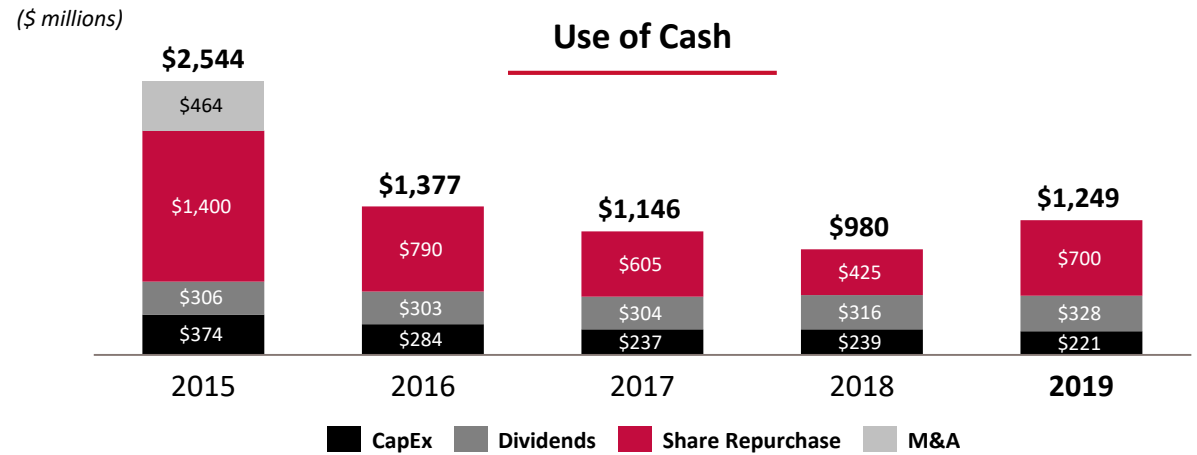


5 ... supporting consistent return of capital

Balanced approach to capital allocation ...



... with predictable and stable uses of cash flow





6 Resolute commitment to ESG principles ...

Our Commitment



Ethics & Governance

- Grainger is committed to being a responsible corporate citizen and to integrating environmental, social and governance principles into daily operations.
- Our CSR program's strategy and direction is led by our CSR Working Group and CSR Advisory Council.



Supply Chain

- We work with thousands of suppliers to stock 1.6 million products to maintain, repair and operate facilities.
- We recognize our duty to ensure our supply chain operates responsibly, while providing the best support and resources to our suppliers and customers.



Sustainability & Stewardship

- Grainger works to continuously improve the environmental performance of our operations, solutions and products.
- We embrace climate change action and are taking continuous steps to reduce our energy use and GHG emissions.
- Grainger has disclosed to CDP since 2009.



People & Purpose

- Our authentic, inclusive culture extends from our customers to our team members and local communities.
- Nine formal business resource groups organized to celebrate diversity and encourage understanding and inclusion.

Awards & Recognition



>25%

Reduction in CO₂e Emissions since 2015 ⁽¹⁾



#1 ranking among Diversified Wholesalers for seventh straight year



#8 ranking among Top 100 Most Sustainable Companies



2020 high score for best place to work



2019 Silver Rating



100% score for the sixth straight year



Disclosed data since 2009



Award-winning ESG program built on foundation of socially responsible and inclusive employee ethos



6 ... driven by vibrant employee culture

Our newly-introduced cultural framework: 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

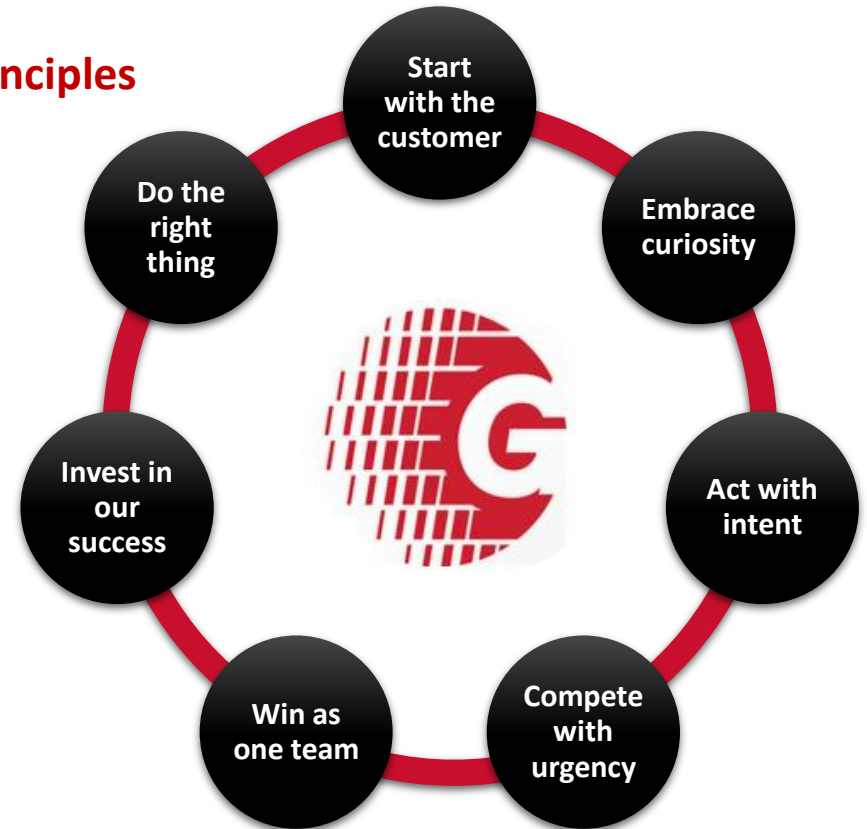
High-Touch Solutions Model

- Competitively advantaged MRO solutions
- Differentiated sales and services
- Unparalleled customer service

Endless Assortment Model

- Expansive product assortment
- Innovative customer acquisition and retention capabilities

Our Principles



Merging the best of our 93-year old heritage with fresh perspectives from reshaped leadership team

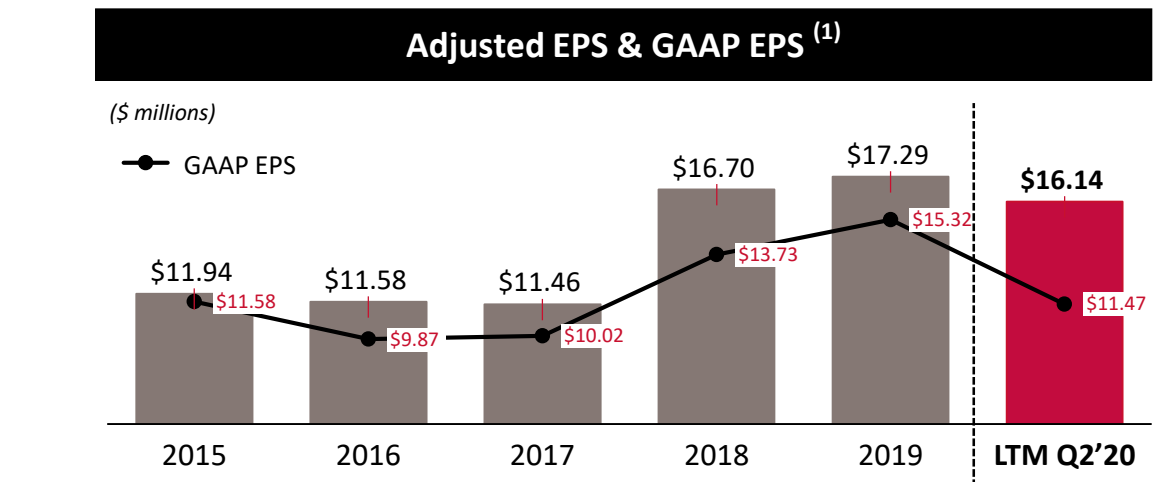
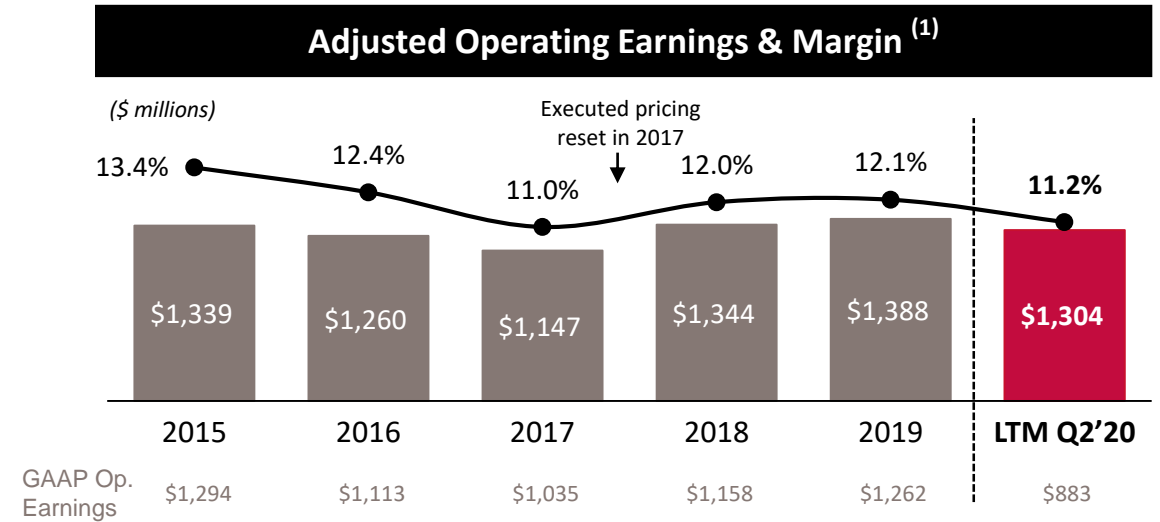
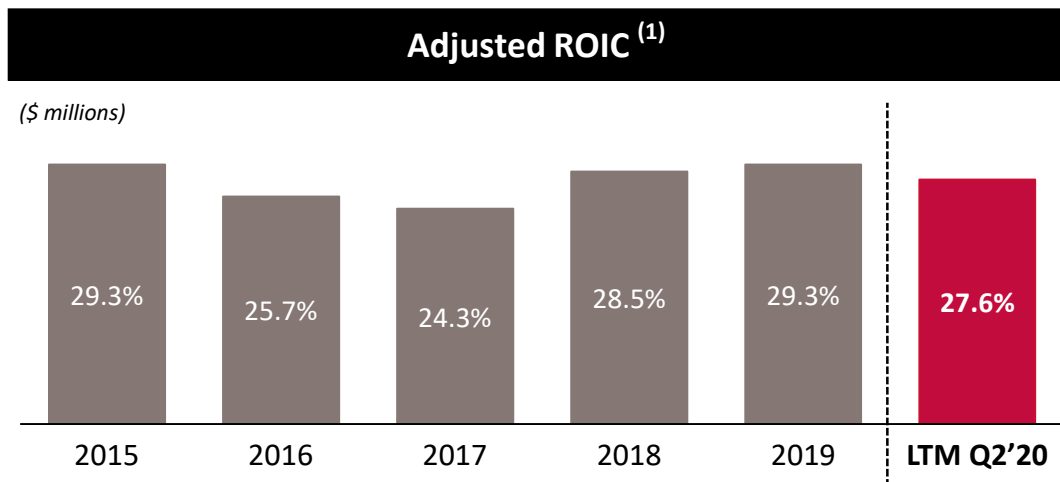
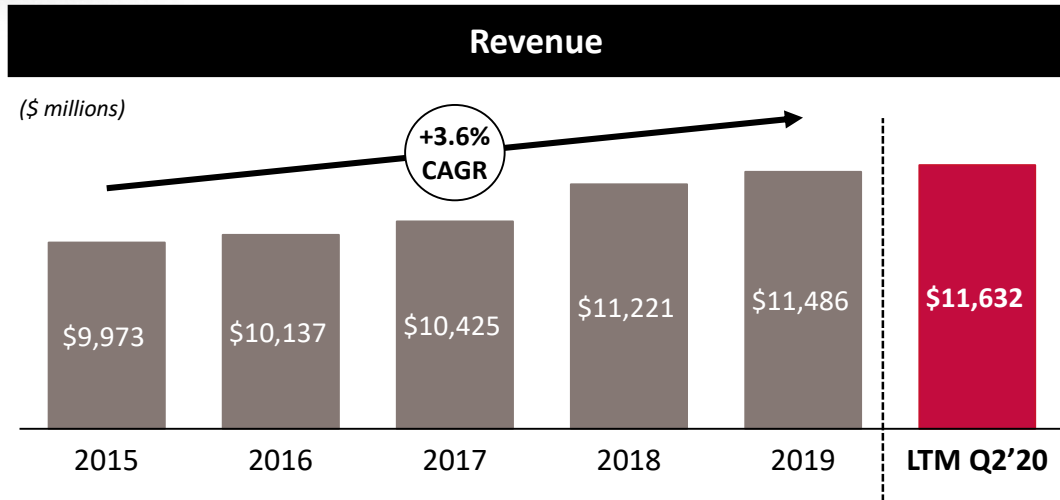


Financials & Run-Rate Targets





Financial Performance



(1) See appendix for a reconciliation of any Non-GAAP financial measures.



Run-Rate Financial Targets

- **Grow U.S. segment revenue 300 - 400 basis points above broader U.S. MRO market**
- **Deliver ~20% annual growth in endless assortment business**
- **Ramp Zoro performance to achieve high-single digit adjusted operating margin potential**
(targeting ramp to low-single digits in 2020, mid-single digits by 2021)
- **Minimize SG&A growth to half the rate of sales growth** *(assuming MRO market returns to normalized growth levels - e.g. 2-3% per year)*
- **Expand adjusted operating margins through top-line growth and SG&A leverage**
- **Deliver 20% - 25% incremental margin** *(measured using adjusted operating margins)*



Conclusion



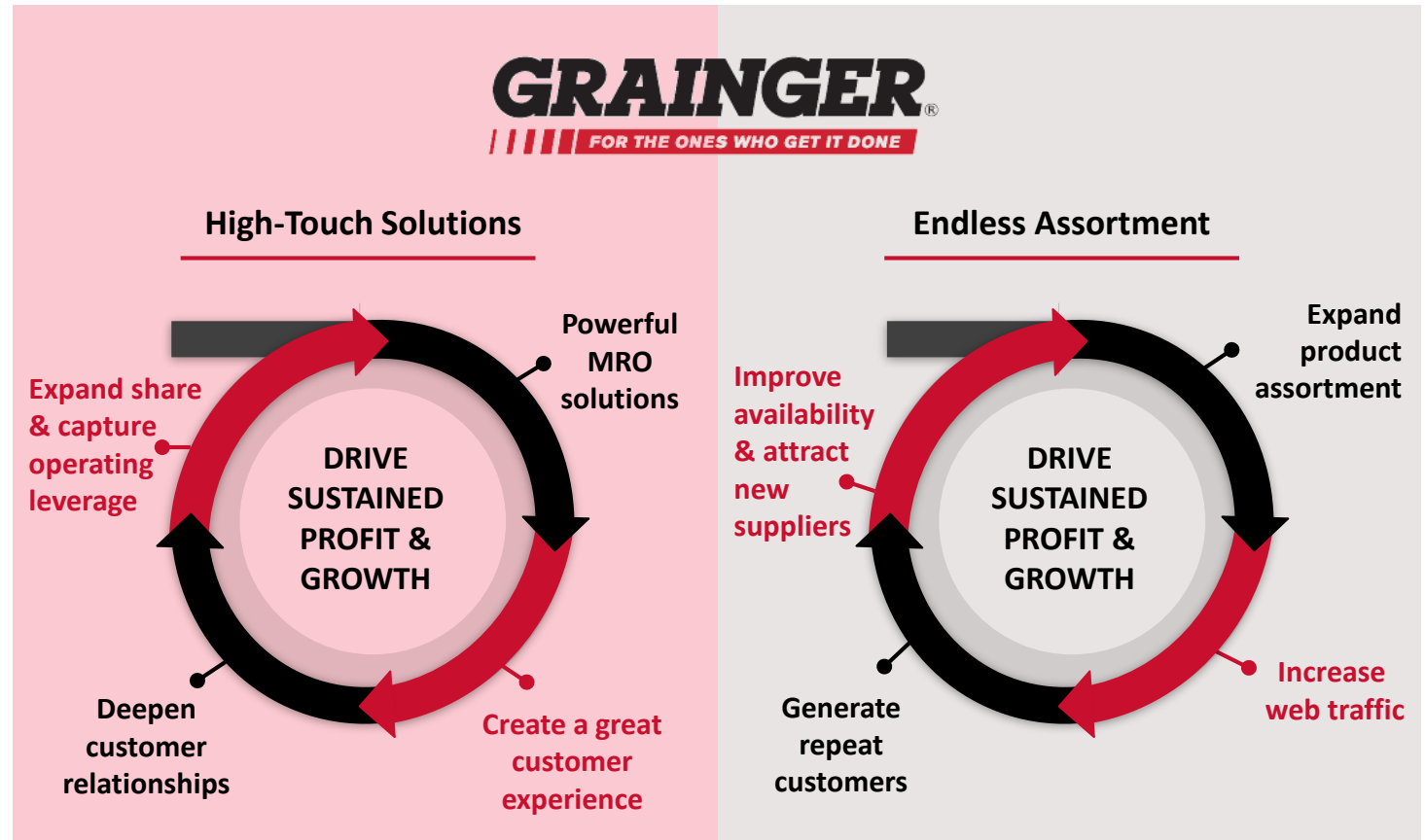


Unique Opportunity for Value Creation

Capitalizing on our unique opportunity set ...

- 1 Industry leader in large, fragmented and highly attractive market
- 2 Competitively advantaged offering with diversified end-market exposure
- 3 Multiple levers for organic growth and sustained value creation
- 4 Opportunity to highlight high-growth endless assortment business
- 5 Strong financial position supporting consistent return of capital
- 6 Resolute commitment to ESG principles driven by vibrant employee culture

... creates a fly-wheel effect to propel sustained value creation





Appendix





Grainger leadership team

Mix of outside hires and internal leaders with expanded roles

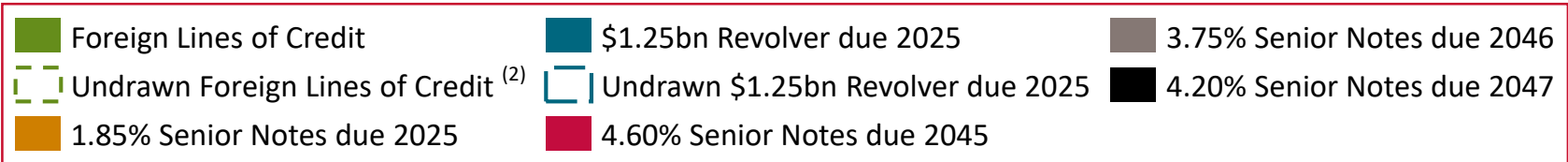
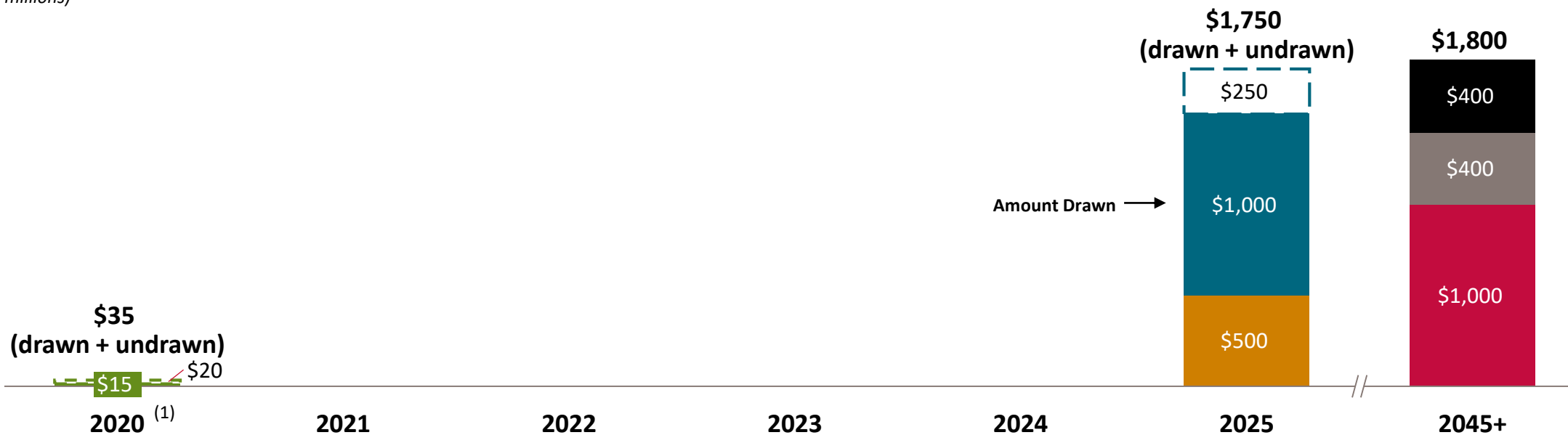
	<u>Name</u>	<u>Title</u>	<u>Yrs. In Role (with GWW)</u>
	D.G. Macpherson	Chairman and Chief Executive Officer	3 years (12)
	Kathleen Carroll	SVP, Chief Human Resource Officer	< 2 years (<2)
	Barry Greenhouse	SVP, President Global Supply Chain and Customer Experience	3 years (16)
	John Howard	SVP and General Counsel	20 years (20)
	Deidra Merriweather	SVP, President North American Sales and Service	< 1 year (7)
	Thomas Okray	SVP and Chief Financial Officer	2 years (2)
	Paige Robbins	SVP, Chief Technology, Merchandising, Marketing and Strategy Officer	3 years (10)
	Masaya Suzuki	Managing Director, Endless Assortment Business	< 1 year (19)



Debt Maturity Schedule (as of June 30, 2020)

No significant debt maturities upcoming

(\$ millions)





Segmentation

Segment	Businesses Included
United States	<ul style="list-style-type: none">U.S. high-touch business
Canada	<ul style="list-style-type: none">Canada high-touch business
Other Businesses	<ul style="list-style-type: none">Endless Assortment businesses (MonotaRO, Zoro)International high-touch businesses (Cromwell, Mexico)

Note: Only the United States and Canada are considered reportable segments for GAAP purposes



Q2'20 Financial Performance



Q2 2020 – Overview



Business remains resilient through unprecedented period

- **Daily sales down 1.8%** (*total company, constant currency basis*)
- **Outgrew broader U.S. MRO market by ~1,200 bps** aided by pandemic-related sales
- **Gross margins remain pressured** primarily due to continued COVID-related headwinds; although partially offset by significant SG&A reductions
- **Generated operating cash flow** of \$232 million; \$189 million of free-cash-flow
- **Strong progress on key 2020 initiatives** in both high touch solutions and endless assortment models
- **Divested Fabory** and announced agreement to **divest Grainger China** ⁽¹⁾

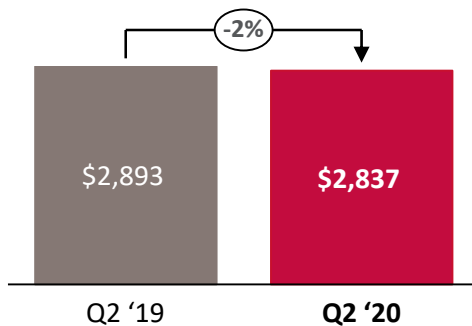


Q2 2020 – Company Summary

Q2'20 Summary Results ⁽¹⁾

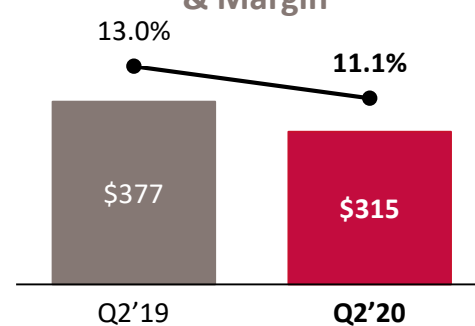
(\$ millions)

Revenue



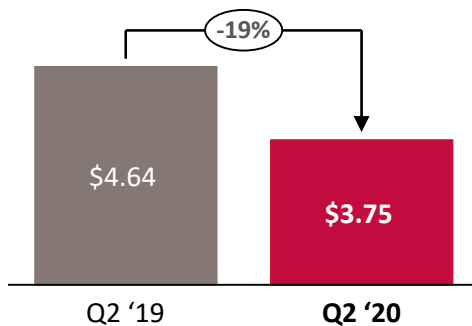
(\$ millions)

Adj. Operating Profit & Margin



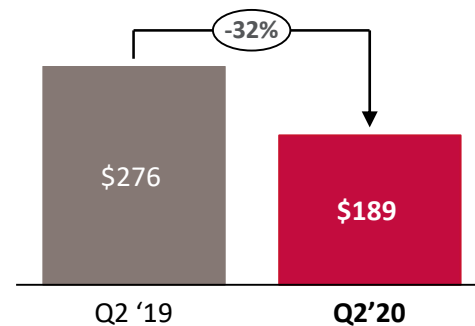
(\$/share)

Adj. EPS



(\$ millions)

Free Cash Flow



Commentary

Daily sales decreased 1.9%, 1.8% on a constant currency basis, due primarily to volume, including product mix

Adj. Operating Profit margin down 190 bps driven by:

- Pandemic-related impacts lowering GP margins
- Business unit mix headwinds from faster growth in lower-margin endless assortment business
- Partially offset by SG&A leverage due to \$43M of cost take-out across multiple areas of the business

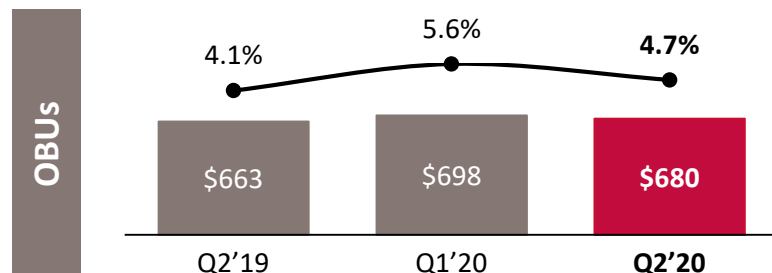
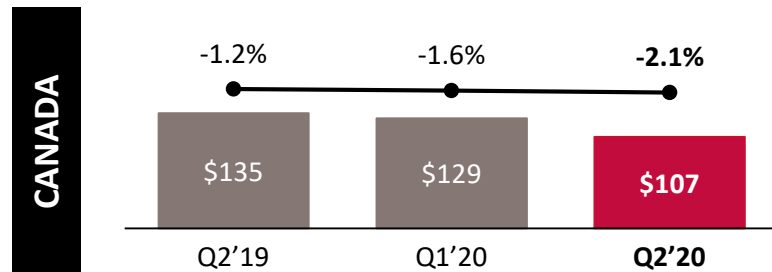
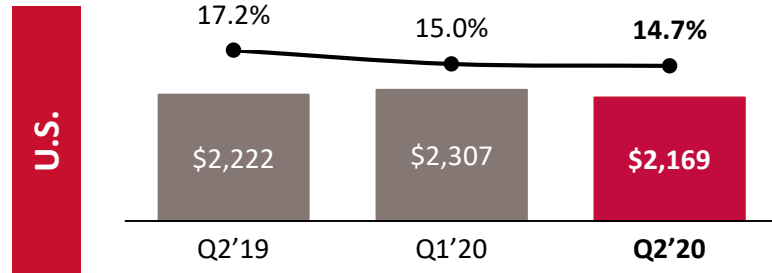
Adj. EPS down \$0.89 on lower revenue and margins; partially offset by lower share count in the current year period



Q2 2020 – Segment Highlights

Sales & Adj. Operating Margin ⁽¹⁾

(\$ millions)



Commentary

Daily sales down 2.4% vs. prior year; outgrew MRO market by ~1,200bps

- Growth fueled by sales of pandemic-related items

Operating profit margin down 250 bps as GP headwinds (down 310 bps) were only partially offset by SG&A savings (\$25M of cost reductions, 60 bps leverage)

- GP margins lower due primarily to pandemic-related impacts and tariff-fueled cost inflation

Daily sales down 21.7%, 19% on a constant currency basis

- Volume (including product mix) down 17.5%; Price / customer mix headwinds of 1.5%

Operating profit margin down 85 bps as GP headwinds (down 145 bps) were only partially offset by SG&A savings (\$12M cost reductions, 60 bps leverage)

Daily sales increased 2.7%, 2.5% on a constant currency basis

- Endless assortment sales growth of ~16% on a daily basis
- International high touch businesses severely impacted by pandemic related shut downs

Operating profit margin expanded 65 bps driven by SG&A leverage (205 bps) partially offset by lower GP margins (down 140 bps)

(1) See appendix for a reconciliation of any Non-GAAP financial measures.



Pandemic Update

Supporting our customers, protecting our workforce, and ensuring continued financial stability

1 We have served our customers well through this challenging time

- Most customers continue to operate although status of re-openings varies significantly depending on industry and geography
- Re-opened branch showrooms across U.S. (late June) while adhering to strict safety and social-distancing protocols
- Building inventory in many pandemic-related categories although supply of certain critical products remains limited

2 Committed to supporting our team members through uncertainty

- Less than 3% of global workforce remains on furlough
- Significant efforts to keep team members safe in the pandemic

3 Ensure we remain in a strong financial position

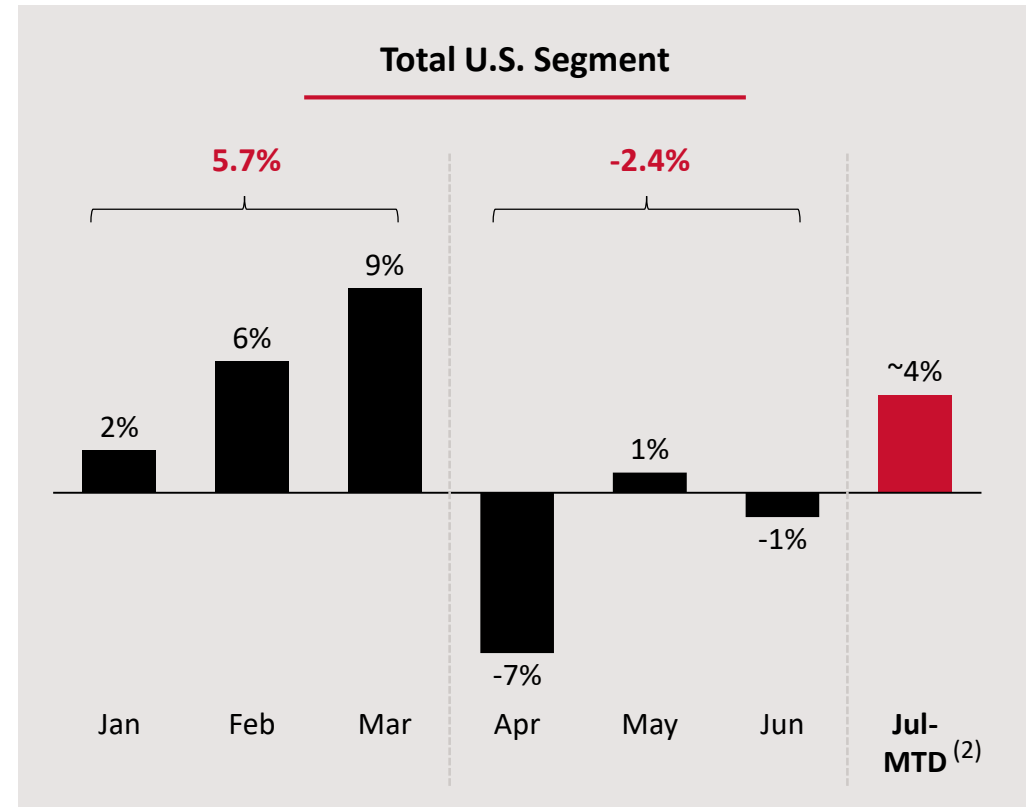
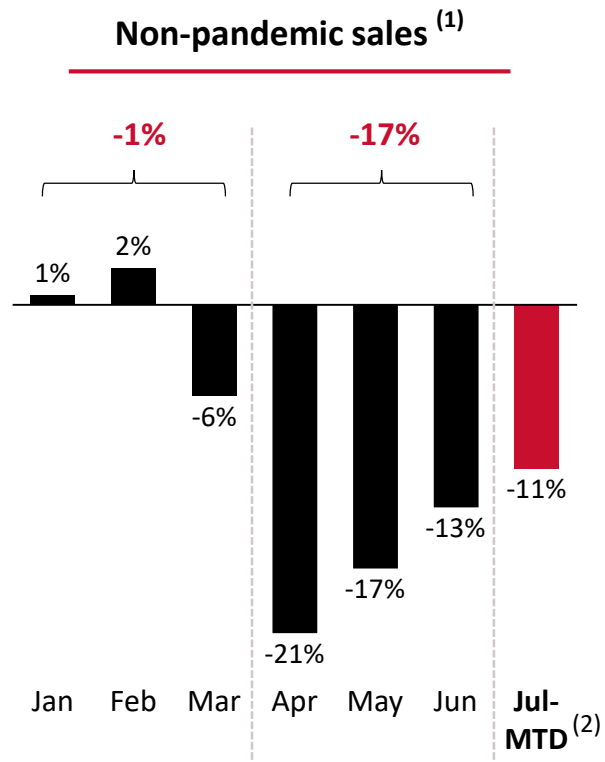
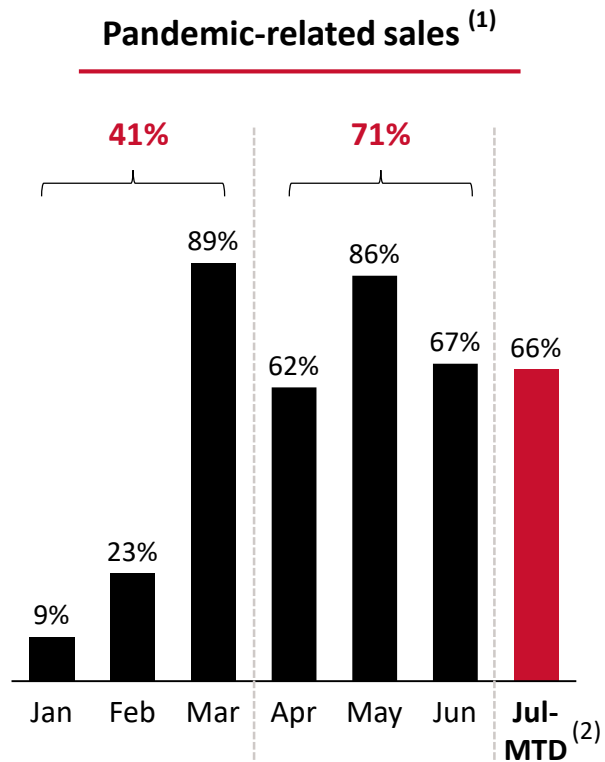
- Ended quarter with ~\$1.9B of available liquidity⁽¹⁾
- Achieved >\$75M of sequential SG&A savings in Q2'20, above communicated target of \$40-\$55 million
- Evaluating relaxation of certain cash preservation actions as business activity evolves



2020 Sales by Product – U.S. Segment

Pandemic-related sales remain elevated through July, while non-pandemic sales continue to recover

(year-over-year change in daily sales)



(1) Based on company's current categorization of SKUs for pandemic and non-pandemic products. These exclude specialty brands, intercompany sales and revenue recognition related adjustments

(2) Data through July 20, 2020



Non-GAAP Reconciliations





GAAP to Non-GAAP Reconciliations (1 of 8)

Net Debt to Adjusted EBITDA

(in millions of dollars)

	June 30, 2020
Condensed Consolidated Balance Sheet	
Short-term debt	\$ 15
Current maturities of long-term debt	21
Long-term debt	3,301
Less: Cash and cash equivalents	1,603
Net Debt	<u>\$ 1,734</u>
	LTM ending June 30, 2020
Condensed Consolidated Statement of Earnings	
Net earnings	\$ 675
Income taxes	143
Other expense, net	65
Condensed Consolidated Statement of Cash Flows	
Depreciation and amortization	211
EBITDA	<u>\$ 1,094</u>
Restructuring, net and impairment charges	421
Adjusted EBITDA	<u>\$ 1,515</u>
Net Debt to Adjusted EBITDA	1.1

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.



GAAP to Non-GAAP Reconciliations (2 of 8)

Free Cash Flow

(\$ millions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	LTM 2020
Operating Cash Flow	\$ 530	\$ 732	\$ 596	\$ 746	\$ 816	\$ 986	\$ 960	\$ 1,036	\$ 1,024	\$ 1,057	\$ 1,057	\$ 1,042	\$ 1,068
Less: Additions to property, buildings, equipment and intangibles	183	142	127	197	250	272	388	374	284	237	239	221	207
Free Cash Flow	\$ 347	\$ 590	\$ 469	\$ 549	\$ 566	\$ 714	\$ 572	\$ 662	\$ 740	\$ 820	\$ 818	\$ 821	\$ 861



GAAP to Non-GAAP Reconciliations (3 of 8)

Adjusted Operating Earnings

(\$ millions)						LTM Q2
	2015	2016	2017	2018	2019	2020
Operating earnings reported	\$ 1,294	\$ 1,113	\$ 1,035	\$ 1,158	\$ 1,262	\$ 883
Restructuring, net branch gains (United States)	35	16	11	8	4	9
Other (gains) / charges (United States)	-	46	(4)	-	-	-
Restructuring, net of branch gains (Canada)	4	15	39	35	-	4
Inventory reserve (Canada)	-	10	-	-	-	-
Restructuring (Other businesses)	6	-	55	6	2	2
Impairment charges (Other businesses)	-	52	-	139	120	297
Fabory Divestiture (Unallocated expense)	-	-	-	-	-	116
Fabory Divestiture (Other businesses)	-	-	-	-	-	(7)
Restructuring (Unallocated expense)	1	9	11	(2)	-	-
Total adjustments	45	147	112	186	126	421
Operating earnings adjusted	\$ 1,339	\$ 1,260	\$ 1,147	\$ 1,344	\$ 1,388	\$ 1,304
Net Sales	\$ 9,973	\$ 10,137	\$ 10,425	\$ 11,221	\$ 11,486	\$ 11,632
Adjusted Operating Earnings %	13.4%	12.4%	11.0%	12.0%	12.1%	11.2%



GAAP to Non-GAAP Reconciliations (4 of 8)

Adjusted Earnings per Share

	2015	2016	2017	2018	2019	LTM Q2
Diluted earnings per share reported	\$ 11.58	\$ 9.87	\$ 10.02	\$ 13.73	\$ 15.32	\$ 11.42
Restructuring, net of branch gains (United States)	0.54	0.26	0.20	0.15	0.08	0.16
Other (gains) / charges (United States)	-	0.74	(0.08)	-	-	-
Restructuring, net of branch gains (Canada)	0.06	0.25	0.67	0.60	-	0.06
Inventory Reserve (Canada)	-	0.16	-	-	-	-
Restructuring (Other businesses)	0.09	-	0.94	0.11	0.04	0.04
Impairment charges (Other businesses)	-	-	-	2.43	2.15	5.45
Other (gains) / charges (Other businesses)	-	0.85	-	-	-	-
Fabory Divestiture (Unallocated expense)	-	-	-	-	-	2.14
Fabory Divestiture (Other businesses)	-	-	-	-	-	(0.12)
Restructuring (Unallocated expense)	-	0.15	0.18	(0.03)	(0.01)	-
Total pretax adjustments	0.69	2.41	1.91	3.26	2.26	7.73
Tax effect (1)	(0.24)	(0.55)	(0.21)	(0.29)	(0.29)	(3.01)
U.S tax legislation (2)	-	-	(0.06)	-	-	-
Discrete tax items	(0.09)	(0.15)	(0.20)	-	-	-
Total, net of tax	0.36	1.71	1.44	2.97	1.97	4.72
Diluted earnings per share adjusted	\$ 11.94	\$ 11.58	\$ 11.46	\$ 16.70	\$ 17.29	\$ 16.14

(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.



GAAP to Non-GAAP Reconciliations (5 of 8)

Adjusted ROIC (1 of 2)

LTM Q2 2020	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	5-point Avg
Total Assets	\$ 5,992	\$ 5,922	\$ 6,005	\$ 7,177	\$ 7,194	
Less: Cash Equivalents	80	89	144	1,271	1,368	
Less: Deferred income taxes	13	13	11	10	10	
Less: Investments in unconsolidated entities	12	11	10	8	7	
Less: Right of Use Asset	200	207	223	208	209	
Plus: LIFO reserves	419	425	426	436	444	
Less: Working Liabilities (1)	1,297	1,291	1,350	1,443	1,327	
Total Invested Capital	\$ 4,811	\$ 4,737	\$ 4,693	\$ 4,672	\$ 4,717	\$ 4,726

2019	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	5-point Avg
Total Assets	\$ 5,873	\$ 6,014	\$ 5,992	\$ 5,922	\$ 6,005	
Less: Cash Equivalents	288	150	80	89	144	
Less: Deferred income taxes	12	14	13	13	11	
Less: Investments in unconsolidated entities	6	12	12	11	10	
Less: Right of Use Asset	-	188	200	207	223	
Plus: LIFO reserves	394	406	419	425	426	
Less: Working Liabilities (1)	1,342	1,238	1,297	1,291	1,350	
Total Invested Capital	\$ 4,619	\$ 4,818	\$ 4,811	\$ 4,737	\$ 4,693	\$ 4,736

2018	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	5-point Avg
Total Assets	\$ 5,804	\$ 5,903	\$ 5,905	\$ 5,932	\$ 5,873	
Less: Cash Equivalents	125	82	83	290	288	
Less: Deferred income taxes	22	33	28	21	12	
Less: Investments in unconsolidated entities	3	7	6	7	6	
Plus: LIFO reserves	382	383	386	388	394	
Less: Working Liabilities (1)	1,393	1,284	1,302	1,342	1,342	
Total Invested Capital	\$ 4,643	\$ 4,880	\$ 4,872	\$ 4,661	\$ 4,619	\$ 4,735

Adj. Operating Income (2)	1,304
Invested Capital	\$ 4,726
ROIC	27.6%

Adj. Operating Income (2)	1,388
Invested Capital	\$ 4,736
ROIC	29.3%

Adj. Operating Income (2)	1,344
Invested Capital	\$ 4,735
ROIC	28.5%

- (1) Defined as sum of trade accounts payables, accrued compensation and benefits, accrued contributions to employee's profit sharing plans and accrued expenses
(2) See slide 36 for a reconciliation of adjusted operating income.



GAAP to Non-GAAP Reconciliations (6 of 8)

Adjusted ROIC (2 of 2)

2017	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	5-point Avg
Total Assets	\$ 5,694	\$ 5,783	\$ 5,862	\$ 5,825	\$ 5,804	
Less: Cash Equivalents	75	54	72	96	125	
Less: Deferred income taxes	100	113	116	97	60	
Less: Investments in unconsolidated entities	7	8	6	4	3	
Plus: LIFO reserves	382	381	382	382	382	
Less: Working Liabilities (1)	1,208	1,158	1,230	1,305	1,393	
Total Invested Capital	\$ 4,687	\$ 4,831	\$ 4,820	\$ 4,705	\$ 4,605	\$ 4,729
2016	Q4'15	Q1'16	Q2'16	Q3'16	Q4'16	5-point Avg
Total Assets	\$ 5,858	\$ 5,965	\$ 5,965	\$ 5,886	\$ 5,694	
Less: Cash Equivalents	66	102	118	95	75	
Less: Deferred income taxes	133	97	103	81	100	
Less: Investments in unconsolidated entities	3	9	9	8	7	
Plus: LIFO reserves	388	387	388	388	382	
Less: Working Liabilities (1)	1,171	1,125	1,119	1,122	1,208	
Total Invested Capital	\$ 4,873	\$ 5,019	\$ 5,004	\$ 4,968	\$ 4,687	\$ 4,910
2015	Q4'14	Q1'15	Q2'15	Q3'15	Q4'15	5-point Avg
Total Assets	\$ 5,284	\$ 5,211	\$ 5,827	\$ 5,807	\$ 5,858	
Less: Cash Equivalents	89	104	686	81	66	
Less: Deferred income taxes	126	90	125	127	133	
Less: Investments in unconsolidated entities	5	5	3	2	3	
Plus: LIFO reserves	389	390	391	390	388	
Less: Working Liabilities (1)	1,169	966	980	1,170	1,171	
Total Invested Capital	\$ 4,285	\$ 4,437	\$ 4,423	\$ 4,817	\$ 4,873	\$ 4,567

Adj. Operating Income (2)	1,147
Invested Capital	\$ 4,729
ROIC	24.3%

Adj. Operating Income (2)	1,260
Invested Capital	\$ 4,910
ROIC	25.7%

Adj. Operating Income (2)	1,339
Invested Capital	\$ 4,567
ROIC	29.3%

(1) Defined as sum of trade accounts payables, accrued compensation and benefits, accrued contributions to employee's profit sharing plans and accrued expenses
(2) See slide 36 for a reconciliation of adjusted operating income.



GAAP to Non-GAAP Reconciliations (7 of 8)

Quarterly Information - Total Company

Q2 2020 Daily Sales vs. Q2 2019

	Company	United States	Canada	Other Businesses
Change vs. Prior	-1.9%	-2.4%	-21.7%	2.7%
Foreign Exchange	(0.1)	-	(2.7)	0.2
Constant Currency	-1.8%	-2.4%	-19.0%	2.5%
% of Company Revenue	100%	72%	4%	24%

Adjusted EPS

	Q2'20	Q2'19
Diluted earnings per share reported	\$2.10	\$4.67
Restructuring, net of branch gains (United States)	-	0.02
Restructuring, net of branch gains (Canada)	0.01	(0.06)
Restructuring (Unallocated expense)		(0.01)
Fabry Divestiture (Unallocated expense)	2.14	-
Fabry Divestiture (Other businesses)	(0.12)	-
Total pretax adjustments	2.03	(0.05)
Tax effect (1)	(0.38)	0.02
Total, net of tax	1.65	(0.03)
Diluted earnings per share adjusted	\$ 3.75	\$ 4.64

Adjusted Operating Margin and %

	Q2'20	%	Q2'19	%
Operating earnings reported	\$ 205	7.3%	\$ 380	13.1%
Restructuring, net and impairment charges	1		(3)	
Fabry Divestiture (Unallocated / Other)	109		-	
Operating earnings adjusted	\$ 315	11.1%	\$ 377	13.0%

Free Cash Flow

(\$ millions)	Q2'20	Q2'19
Net cash provided by operating activities	\$ 232	\$ 323
Less: Additions to property, buildings, equipment & intangibles	43	47
Free Cash Flow	\$ 189	\$ 276



GAAP to Non-GAAP Reconciliations (8 of 8)

Quarterly Information - Segment

Segment Operating Earnings

<i>(\$ millions)</i>	<u>Q2'20</u>	<u>%</u>	<u>Q1'20</u>	<u>%</u>	<u>Q2'19</u>	<u>%</u>
United States	\$ 318	14.7%	\$ 346	15.0%	\$ 383	17.2%
Canada	(2)	(2.1)%	(2)	(1.6)%	(3)	(1.2)%
Other Businesses	31	4.7%	39	5.6%	27	4.1%
Unallocated corporate costs	(32)	N/A	(40)	N/A	(30)	N/A
Segment operating earnings adjusted	\$ 315	11.1%	\$ 343	11.4%	\$ 377	13.0%



IR Contacts

Irene Holman

Vice President, Investor Relations
847.535.0809

Abby Sullivan

Sr. Manager, Investor Relations
847.535.0939

InvestorRelations@grainger.com

