

NYSE: GWW

Grainger Investor Presentation

May 2022

GRAINGER[®]



Safe Harbor Statement and Non-GAAP Financial Measures

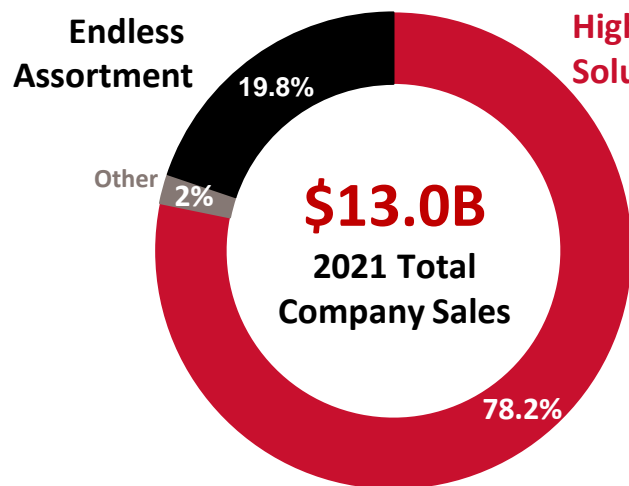
All statements in this communication, other than those relating to historical facts, are “forward-looking statements.” Forward-looking statements can generally be identified by their use of terms such as “anticipate,” “estimate,” “believe,” “expect,” “could,” “forecast,” “may,” “intend,” “plan,” “predict,” “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, adaptations 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.



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

All figures as of December 31, 2021



Largest
MRO distributor in
North America

14th
largest N.A. e-
commerce retailer⁽²⁾

50 years
of consecutive
dividend increases

Company founded
in
1927



~4.5M

active customers



>30M

products offered globally



~24K

team members
companywide



>75%

orders through
digital channels⁽³⁾

Go-to-market approach⁽⁴⁾

High-Touch Solutions N.A.

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

North America



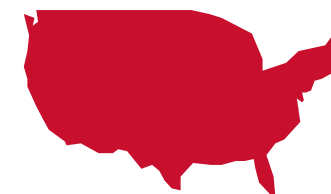
Endless Assortment

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

Japan



United States



United Kingdom



(1) MRO stands for maintenance, repair and operations

(2) Source: Digital Commerce 360 (2021 Top 500 ranking of North American online retailers)

(3) Based on 2021 total company sales. Includes sales through website channels (Grainger, Zoro, MonotaRO), EDI/ePro and KeepStock).

(4) Cromwell is not shown in this section. It is located in the U.K., reported under "Other" in filings and has a high-touch solutions go-to-market approach

High-Touch Solutions – North America

2021 sales
by Go-to-
market
approach

78%

**High-Touch
Solutions N.A.**



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⁽²⁾

United States, Canada & Mexico

- 348 Branches
- 24 Distribution Centers (DCs)
- ~950K SKUS in stock
- ~20,100 Team Members



Delivery Model⁽¹⁾

Relationships



**Sales & Service
Representatives**



Digital

Over 3,500 sales and service representatives coupled with our digital solutions drive deep relationships with purchasers and end users

Origination



Website
33% of orders

Curated product info and search



eProcurement
27% of orders

Integrated software in customer's purchasing process



KeepStock
16% of orders

Vending & inventory management



Phone
18% of orders

Strong technical knowledge across a wide range of product lines



Branch
6% of orders

Fulfillment



Distribution Centers

Direct-to-Customer

72% of orders



KeepStock

16% of orders



Branch Network

12% of orders

Endless Assortment

2021 sales
by Go-to-
market
approach



*Endless
Assortment*



Offer

Easy purchasing through a streamlined and transparent online relationship with one-stop shopping for millions of products

Customer Base

- Lower complexity purchasing and product solutions (typically small / mid-sized businesses)

Strategic Pillars

- Expansive product assortment
- Innovative customer acquisition and retention capabilities

Footprint & Brands⁽²⁾

Japan⁽¹⁾

- ~20M available SKUs / 8 DCs
- ~1,900 team members
- Started in 2000 as JV between Grainger and Sumitomo
- GWW owns 50.3% stake
- Traded on TSE (ticker: MONOY)
- Market Cap: \$9.4B⁽²⁾



U.S. & U.K.

- ~10M available SKUs
- Leverage Grainger & Cromwell DCs
- ~600 Team Members



Delivery Model

Relationships



Primarily Digital

Digital solutions and marketing to build strong customer relationships

Origination



Website

Streamlined search and transactional experience

Fulfilment



Distribution Centers + Drop Ship

Delivering broad "endless" assortment across all business-to-business categories at competitive prices

Investment Highlights



Compelling Investor Value Proposition



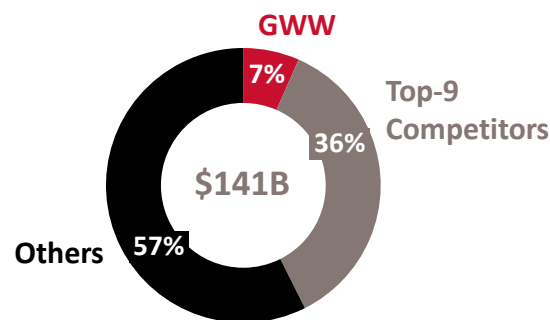
- 1 Industry leader in large, fragmented and highly-attractive market
- 2 Competitively advantaged business models with diversified end-market exposure
- 3 Multiple levers for organic growth drive attractive value creation algorithm
- 4 Strong financial position supporting consistent return of capital
- 5 Resolute commitment to ESG⁽¹⁾ principles driven by strong employee culture



1 Industry leader ...

Continuing to grow market-leading position ...

Market-share leader with U.S. High-Touch Solutions business ... ⁽¹⁾



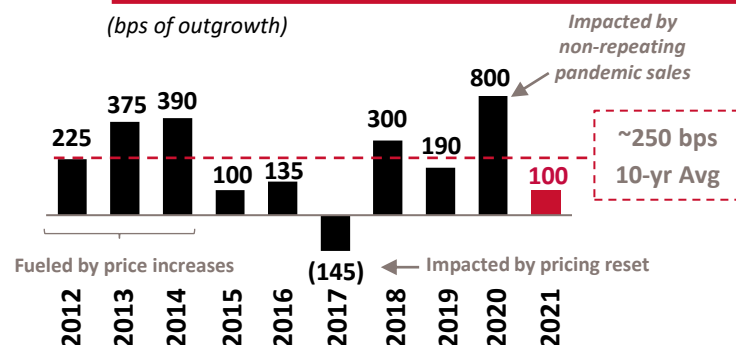
... coupled with differentiated, high-growth Endless Assortment channel

18%
2021 Growth

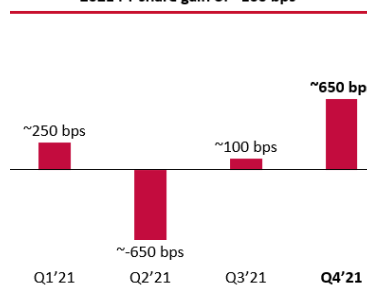
20%
5-year CAGR
(through 12/31/21)

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

(bps of outgrowth)



2021 FY share gain of ~100 bps



... 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. business only (high-touch solutions). Shown as a % of addressable U.S. market as of March 10, 2021.

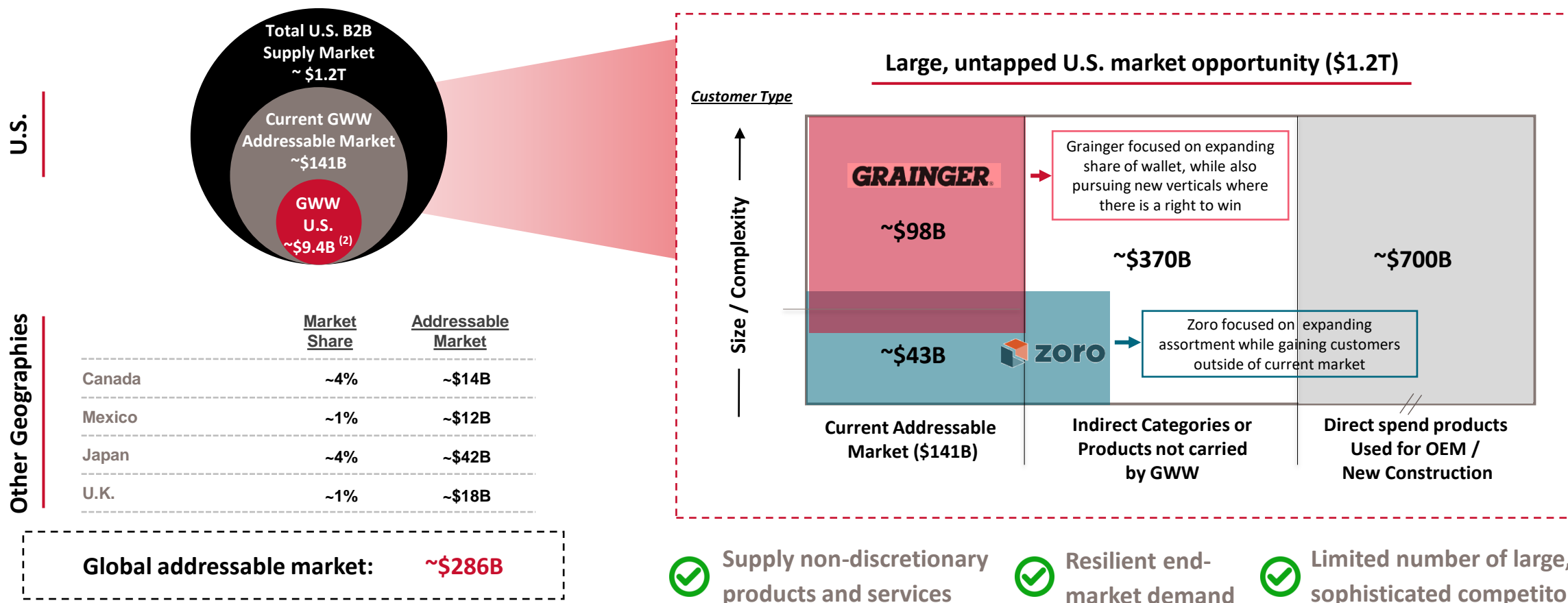
(2) Measured as daily sales growth of Grainger U.S. business only (high-touch) compared to estimated U.S. market growth. Market growth based on company estimates.

(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⁾





② Competitively advantaged business models ...

Go-to-market strategies focused on unique customer value proposition

Customer Profile (“Who”)

High-Touch Solutions N.A.

- Typically, larger enterprises with complex procurement processes
- Expect product and service depth and breadth
- Focused on total cost of ownership

Endless Assortment

- Typically, smaller businesses with more simplistic purchasing processes
- Straight-forward product & service needs
- Focused on transparent pricing, ease-of-use

Customer Value Proposition (“What”)

Advantaged MRO Solutions

- MRO-focused, curated assortment
- Deep product & customer expertise
- Superior digital solutions

Differentiated Sales & Services

- Deep relationships and understanding of customer needs
- On-site inventory management and expert service offerings

Unparalleled Customer Service

- Complete and on-time fulfillment
- No-hassle invoicing and returns

Expansive product assortment

- Extended product range covering broad business categories
- Competitive pricing

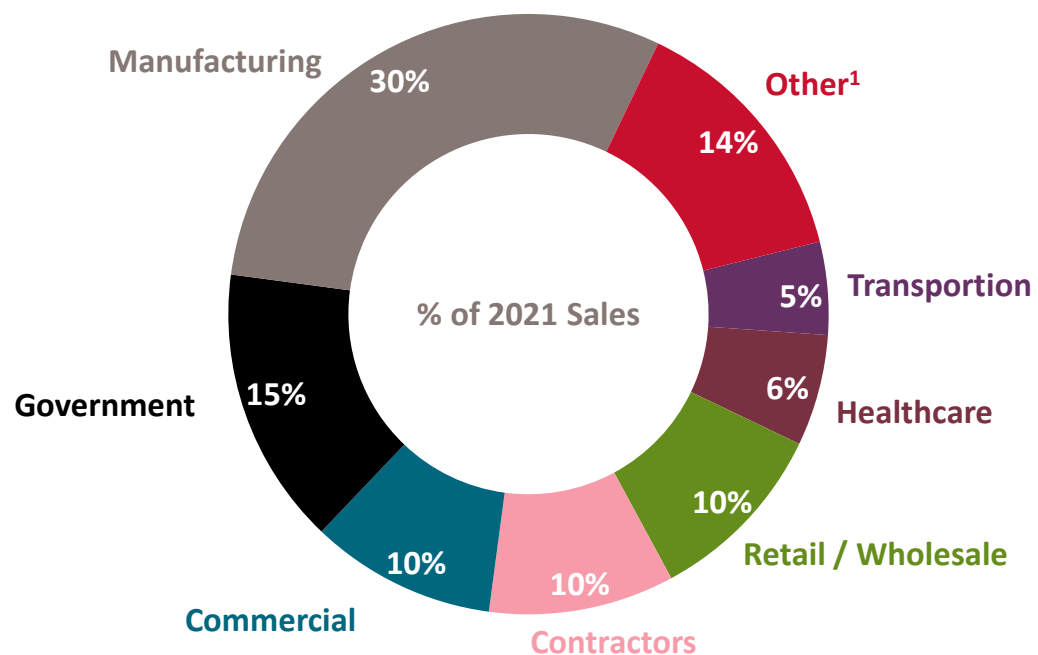
Innovative customer experience

- Intuitive business-focused e-commerce platform
- Intelligent analytics capabilities
- Customer-centric delivery platform



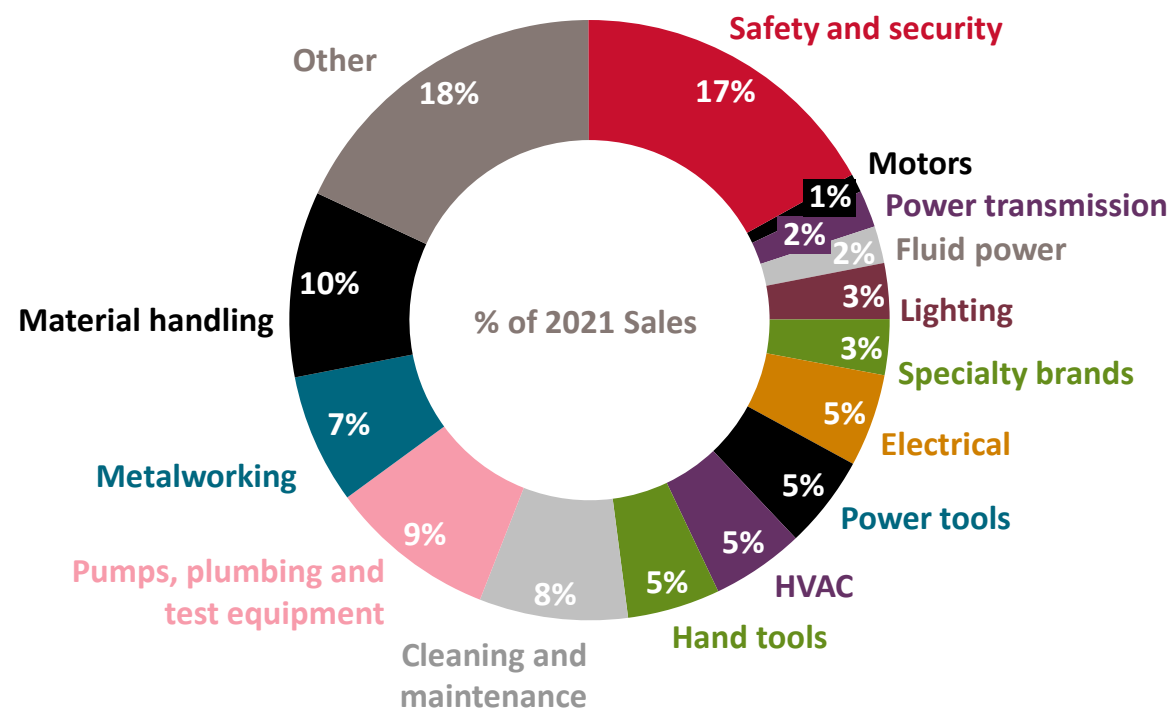
② ... with diversified end-market exposure

Diversified customer base ...



No single end customer accounts for >3% of total sales

... with a broad product assortment



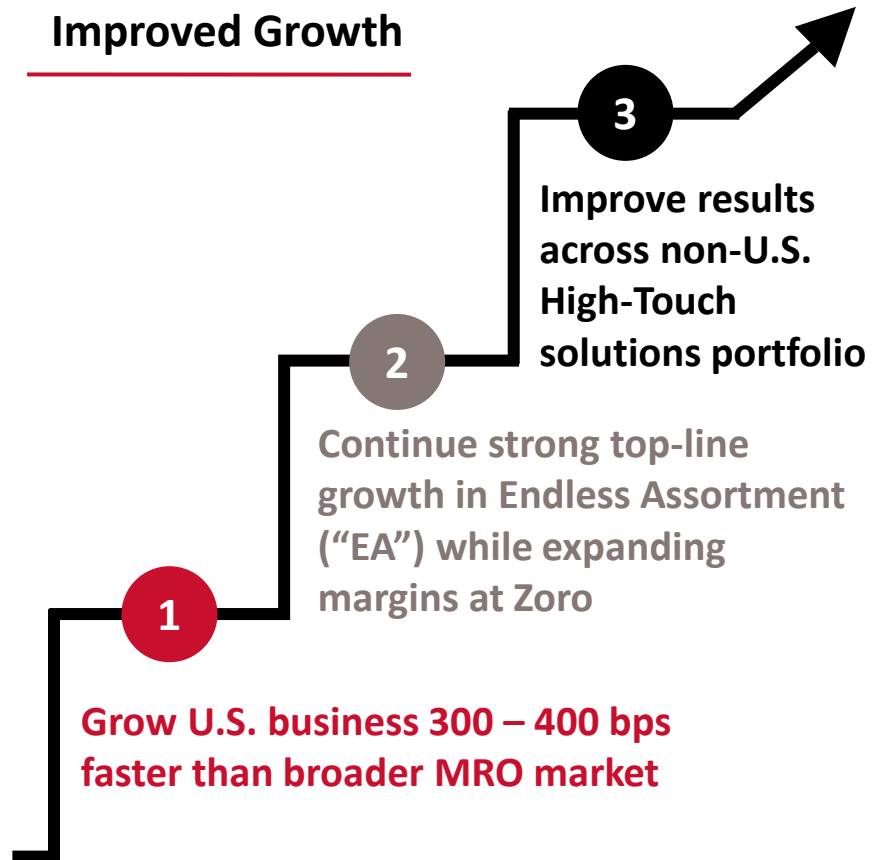
- >1.5M products from ~5,000 suppliers stocked in DCs
- >30M products offered globally



3

Multiple levers for organic growth ...

Pathway to Improved Growth



1) Grow U.S. business 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-based offerings
 - Grow and retain mid-sized customers
 - Extend large, multi-site customer relationships to c-suite
- ✓ Expand addressable market
 - Add new product categories; deepen existing ones
 - Expand into new customer segments

2) High-teens top-line 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 (mid-single digits projected in '22)

3) Improve results across non-U.S. High-Touch Solutions portfolio

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



3 ... drive attractive value creation algorithm

Operational Execution

High-Touch Solutions N.A.

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

Endless Assortment

- ✓ High-teens top-line growth
- ✓ Ramp Zoro operating margin to high-single digits



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



Capital Allocation

Dividend Track Record

- ✓ Dividend Aristocrat with 50-year history of consecutive dividend increases



Share Repurchase Potential

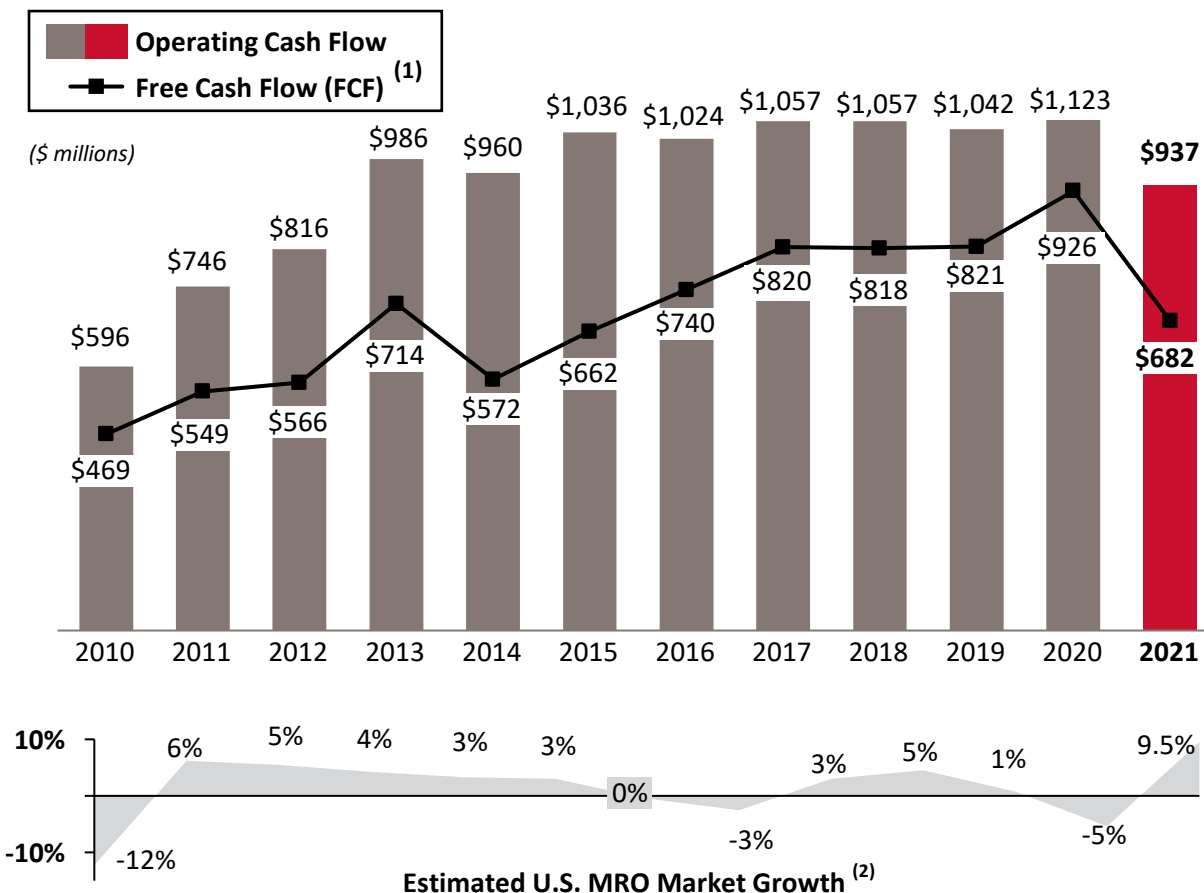
- ✓ Anticipate \$600 - \$800 million of share repurchase in FY 2022
- ✓ 3-year average of ~\$650M in repurchases per year⁽¹⁾

Strong, consistent shareholder return



4 Strong financial position ...

Durable cash flows and low capital intensity through-the-cycle ...



... coupled with prudent leverage and robust liquidity

1.2x⁽¹⁾

Net Leverage
(as of Dec. 31, 2021)

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

\$1.5B

Available liquidity
cash + undrawn revolver
(as of Dec. 31, 2021)

\$0.2B in cash

Credit Ratings
(Issuer)

A+

(Stable)

S&P

(last reviewed June 11, 2021)

A3

(Stable)

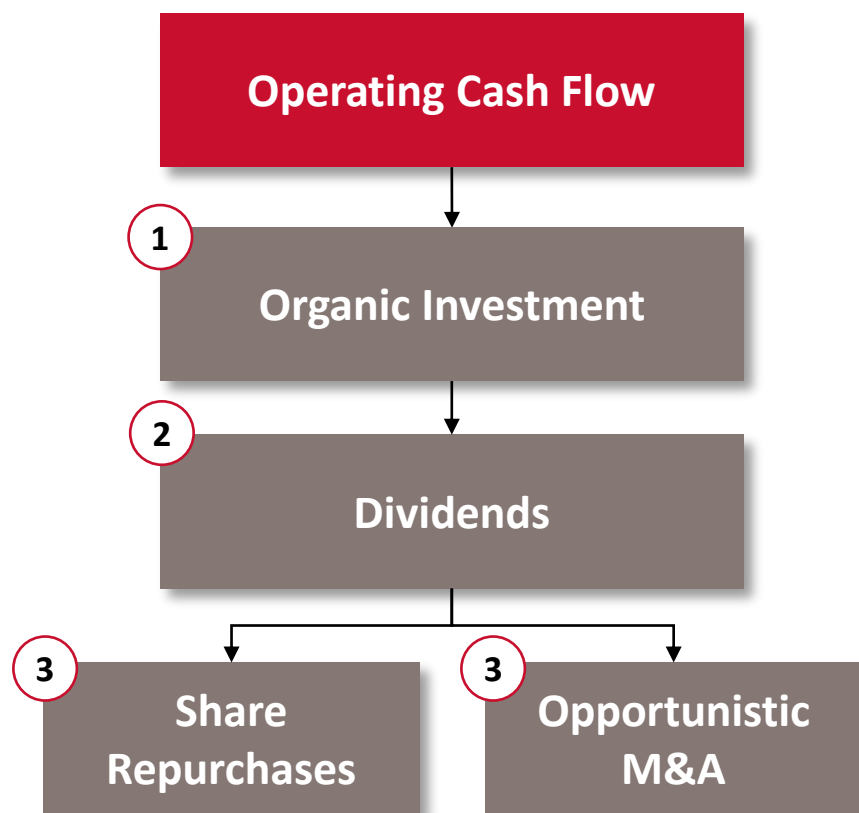
Moody's

(last reviewed Feb. 26, 2021)



4 ... supporting consistent return of capital

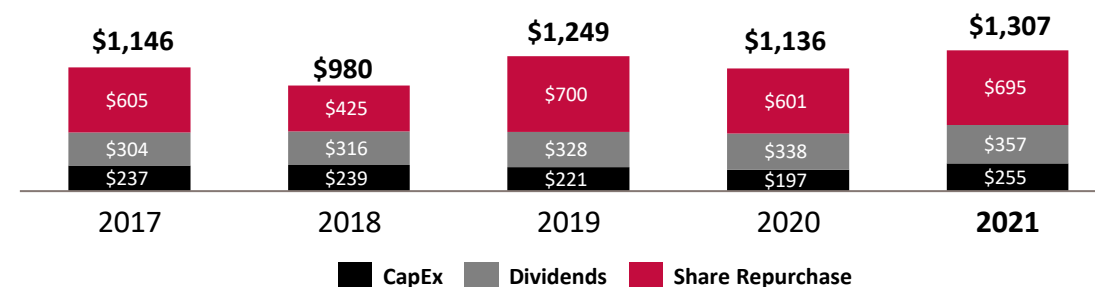
Balanced approach to capital allocation ...



... with predictable and stable uses of cash flow

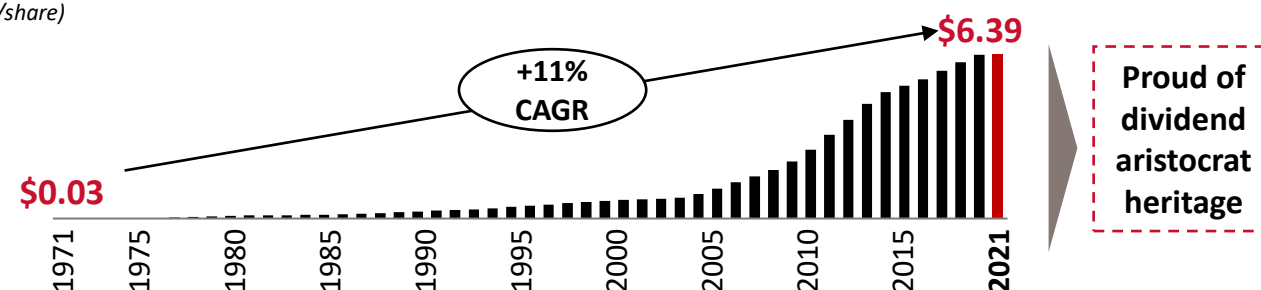
(\$ millions)

Use of Cash



50-years of Consecutive Dividend Increases *(split-adjusted)*

(\$/share)





5

Resolute commitment to ESG principles ...

Our Commitment



Ethics & Governance

- CEO, D.G. Macpherson, chairs the ESG Leadership Council. His direct involvement in ESG decision-making and governance highlights how important ESG issues are to Grainger.
- Grainger has a 'AAA' ESG risk rating from MSCI and is a Sustainalytics top-rated ESG company, demonstrating its industry-leading risk management.



People & Purpose

- An authentic, inclusive culture extends from customers to team members to local communities.
- By signing the Chicago Network Equity Principles pledge, Grainger has committed to strive to achieve 50 percent women in leadership positions by 2030.
- Nine business resource groups organized to celebrate diversity and encourage understanding and inclusion.
- >\$96M cash and product donations to nonprofit groups.



Sustainability & Stewardship

- Grainger works to continuously improve the environmental performance of our operations, solutions and products.
- The Company embraces climate change action and plans to reduce its absolute scope 1 and is working to reduce scope 2 emissions by 30% by 2030, using a 2018 baseline.*

* North American facilities only



Supply Chain

- Grainger recognizes its duty to ensure its supply chain operates responsibly, while providing the best support and resources to suppliers and customers.
- In 2021, Grainger U.S. spent over \$1.6 billion with more than 6,600 small businesses and \$278 million with over 680 minority-, woman-, veteran-, disabled-person- and LGBT owned businesses for goods and services.

Awards & Recognition



Number 1
Industrial Distribution's
Big 50 List 2021



A top-scoring company
for the fifth straight year



100% score for
the seventh
straight year



B CDP rating for 2021



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



5 ... driven by strong employee culture

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



A worker in a white hazmat suit and respirator is using a yellow spray gun to apply a substance to industrial equipment. The worker is wearing a full-body white protective suit, a black respirator with two circular filters, and black gloves. The equipment has red and white striped safety markings. The background is dark and industrial.

Financials & Run-Rate Targets

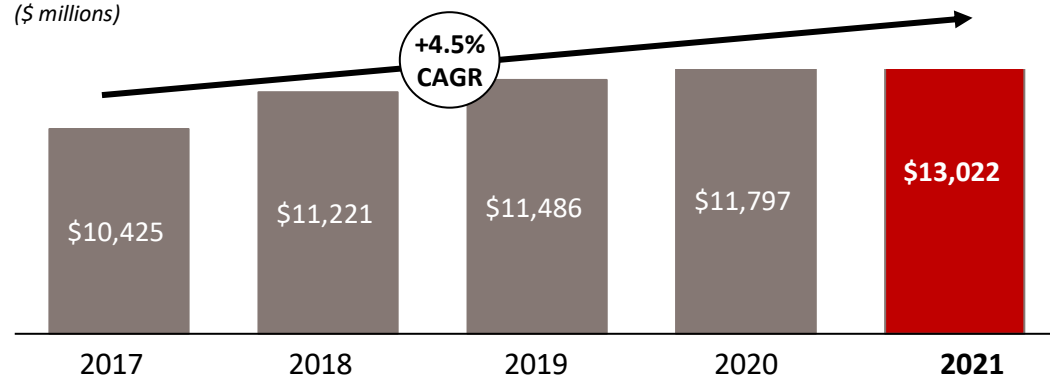




Financial Performance

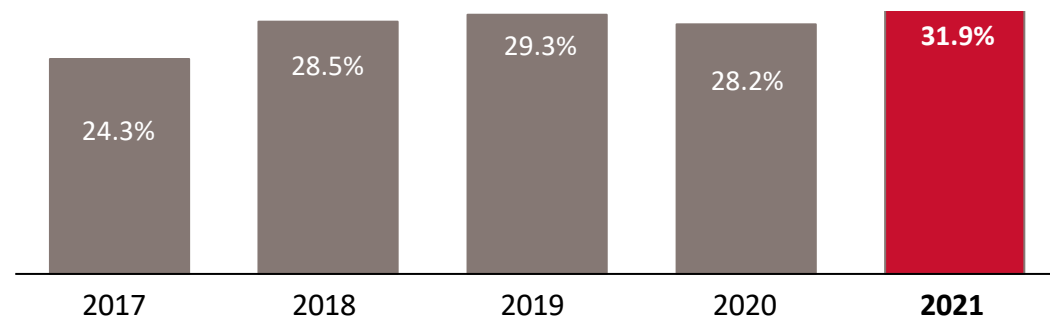
Revenue

(\$ millions)



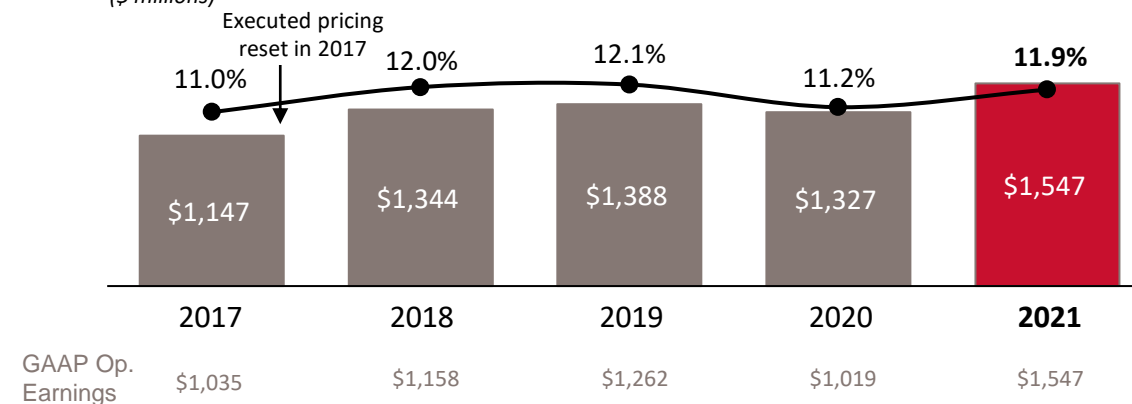
Adjusted ROIC ⁽¹⁾

(\$ millions)



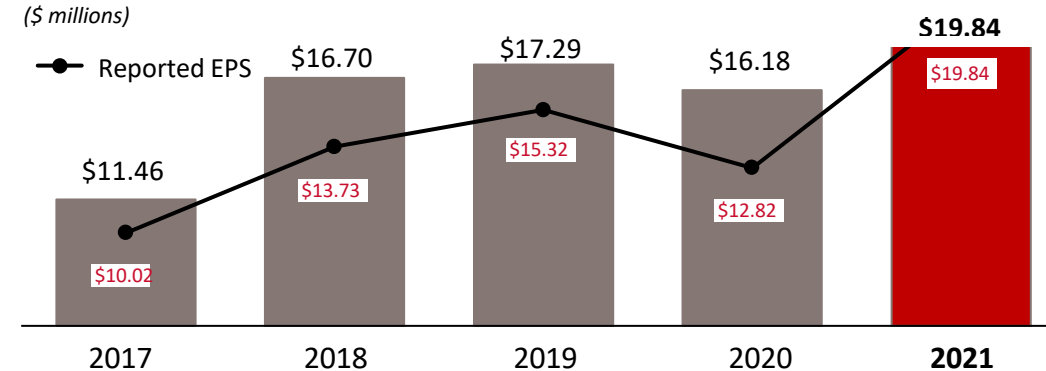
Adjusted Operating Earnings & Margin ⁽¹⁾

(\$ millions)



Reported & Adjusted EPS ⁽¹⁾

(\$ millions)





Run-Rate Financial Targets

- **Grow U.S. business revenue 300 - 400 basis points above broader U.S. MRO market**
- **Deliver high-teens annual sales growth in Endless Assortment segment**
- **Ramp Zoro performance to achieve high-single digit adjusted operating margin potential**
(expectation for mid-single digits operating margin for full year 2022)
- **Minimize SG&A growth to half the rate of sales growth in the High-Touch Solutions business**
(assuming MRO market returns to normalized growth levels - e.g., 2-3% per year)
 - 2022 is not expected to meet this goal as the company makes strategic investments in growth initiatives
- **Expand adjusted operating margins through top-line growth and SG&A leverage**
- **Deliver 20% - 25% incremental margin** *(measured using adjusted operating margins)*



Conclusion

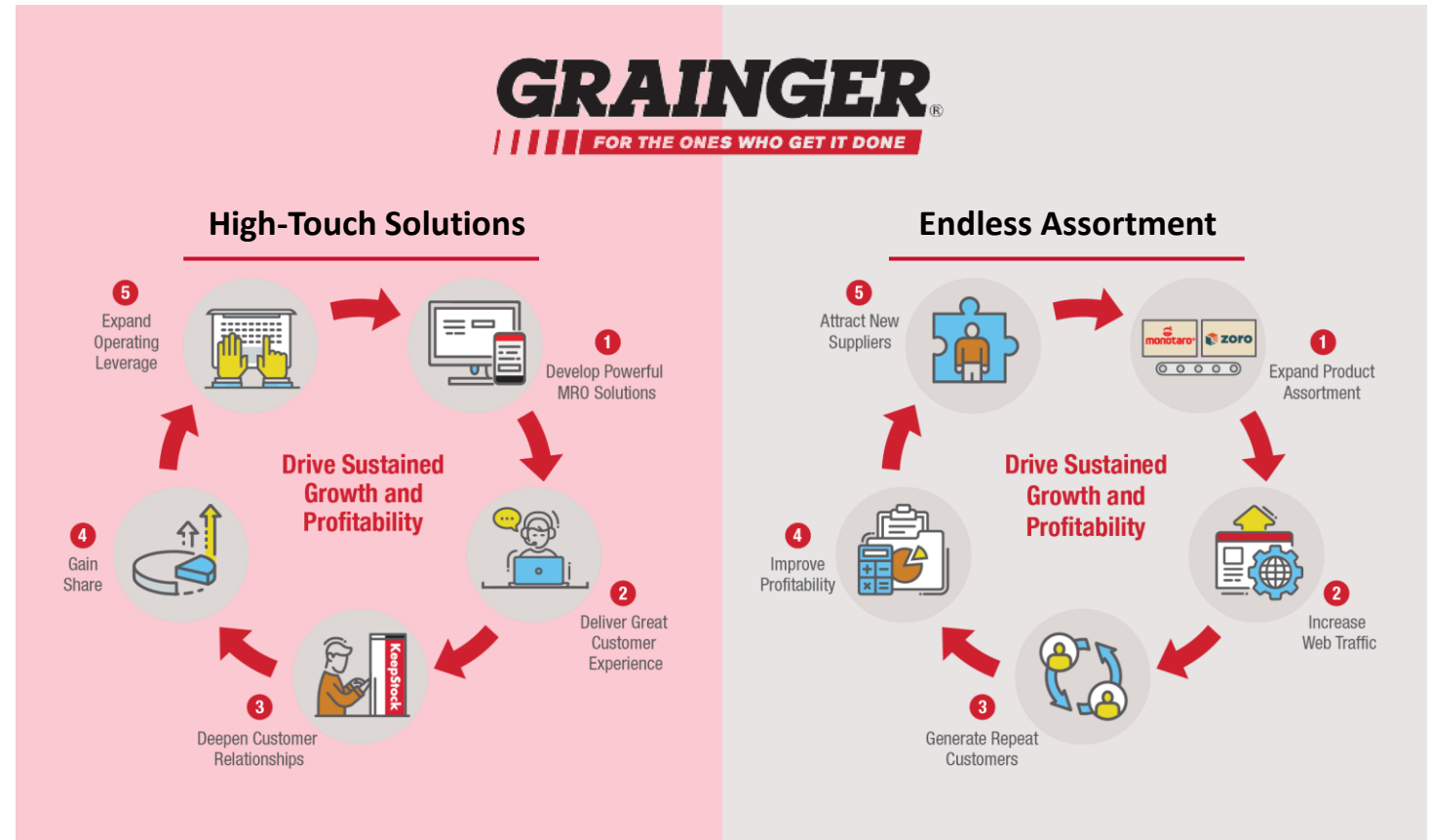


Unique Opportunity for Value Creation

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 Strong financial position supporting consistent return of capital
- 5 Resolute commitment to ESG principles driven by vibrant employee culture

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





Financial Performance (Q1'22)





2021 Year in Review

Demonstrated resilience and strength, leveraging scale in serving customers through the continued pandemic, supply chain volatility and uncertainty

- Maintained high levels of customer satisfaction throughout the year
- Invested in inventory to improve availability and meet growing demand
- Closed staffing gaps and labor challenges by investing in team members

Maintained focus on key initiatives, setting stage for continued growth

- Re-merchandised an additional \$1.5B of our product assortment
- Increased investment in marketing with improved returns, helping to drive share gain
- Grew KeepStock and eProcurement services, making it easier for customers to buy
- Strong progress on technology investments, including product and customer information
- Achieved Zoro SKU count goals, adding over 2.5M SKUs in the year
- Opened Ibaraki, Japan DC with focus on stocking MonotaRO's high-demand items locally
- Continued progress on ESG initiatives

By the Numbers

~\$4.4B



Total product re-merchandised

~60%

U.S. revenue from customers with one or more embedded solutions (e.g., KeepStock, ePro)

~8.7M



Active SKUs on Zoro.com (U.S.)



FY 2021 Adjusted Results: *Total Company*

Summary Results

(\$ in millions)

	FY 2021	FY 2020	% vs. PY Fav/(Unfav)
Sales	\$ 13,022	\$ 11,797	10.4% / 11.3% ⁽¹⁾
GP	4,720	4,238	11.4%
SG&A	3,173	2,911	(9.0)%
Op Earnings	\$ 1,547	\$ 1,327	16.6%
EPS	\$ 19.84	\$ 16.18	22.6%

(% of sales)

	FY 2021	FY 2020	bps vs. PY Fav/(Unfav)
GP Margin	36.2 %	35.9%	30
SG&A Margin	24.4 %	24.7%	35
Op Margin	11.9 %	11.2%	65

Commentary

Organic daily sales up 12.7%, 12.4% in constant currency

- Double-digit revenue growth in both segments on robust customer demand

GP margin expanded 30 bps

- Continued expansion in both segments and at Cromwell

Expanded operating margin 65 bps year over year

EPS for the year at \$19.84, 22.6% over prior year, while achieving all full year guidance expectations



FY 2021 Financial Highlights

Delivered exceptional growth and strong service to customers, achieving full year expectations

	2021 Guidance	2021A
Sales (\$ billions)	\$12.7 – \$13.0	\$13.0
<i>Daily growth</i>	8.5% - 11.0%	11.3%
<i>Organic daily growth</i>	10.0% – 12.5%	12.7%
Gross Profit Margin	36.1% – 36.6%	36.2%
Operating Margin	11.8% – 12.4%	11.9%
Tax Rate	25.0% - 26.0%	25.0%
EPS	\$19.00 - \$20.50	\$19.84

- Achieved **organic FY daily sales growth of 12.4%** (*total company, constant currency*) ⁽¹⁾
 - **High-Touch Solutions N.A. FY daily sales growth of 10.8%** (*constant currency*) fueled by core, non-pandemic sales growth
 - **Two-year average market outgrowth of ~450 bps in the U.S.**
 - **Endless Assortment** achieved **FY daily sales growth of 20.5%** (*constant currency*)
- **Delivered operating margin of 11.9%**, 65 bps improvement over prior year
- **Returned over \$1B to shareholders** through dividends and share repurchases
- Maintained **strong adjusted ROIC of over 31.9%** (*total company*)



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

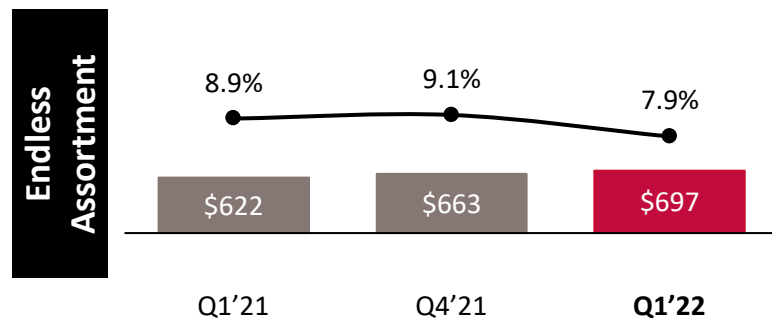
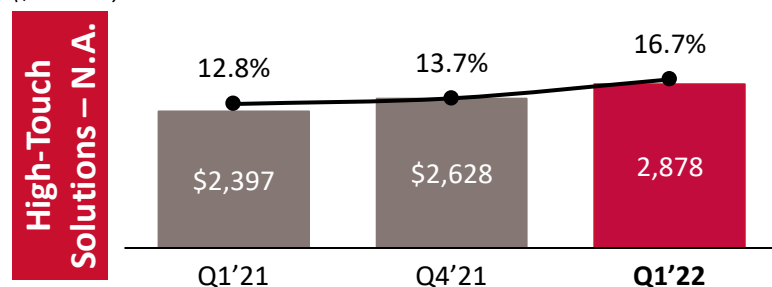
EPS of \$7.07, up 58% versus prior year



Q1 2022 – Segment Highlights

Sales & Operating Margin

(\$ millions)



Commentary

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

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










Appendix





Grainger's Leadership Team

Merging the best of our 95-year old heritage with fresh perspectives from diverse leadership team

	<u>Name</u>	<u>Title</u>	<u>Yrs. In Role (with GWW)</u>
	D.G. Macpherson	Chairman and Chief Executive Officer	5 years (14)
	Kathleen Carroll	SVP, Chief Human Resource Officer	3 years (3)
	Barry Greenhouse	SVP, President Global Supply Chain and Customer Experience	3 years (18)
	John Howard	SVP and General Counsel	22 years (22)
	Jonny LeRoy	VP and Chief Technology Officer	2 years (2)
	Deidra Merriweather	SVP and Chief Financial Officer	1 year (9)
	Paige Robbins	SVP and President, Grainger Business Unit	1 year (12)
	Masaya Suzuki	Managing Director, Endless Assortment Business	2 years (21)
	Brian Walker	VP and Chief Product Officer	2 year (15)



Segmentation

Segment	Businesses Included
High-Touch Solutions N.A	<ul style="list-style-type: none">High-touch solutions businesses in the United States, Canada & Mexico
Endless Assortment	<ul style="list-style-type: none">MonotaRO (Japan)Zoro (U.S. and U.K.)
Other	<ul style="list-style-type: none">International high-touch solutions businesses<ul style="list-style-type: none">CromwellHistorical also includes Fabory and Grainger China prior to their divestitures in 2020.

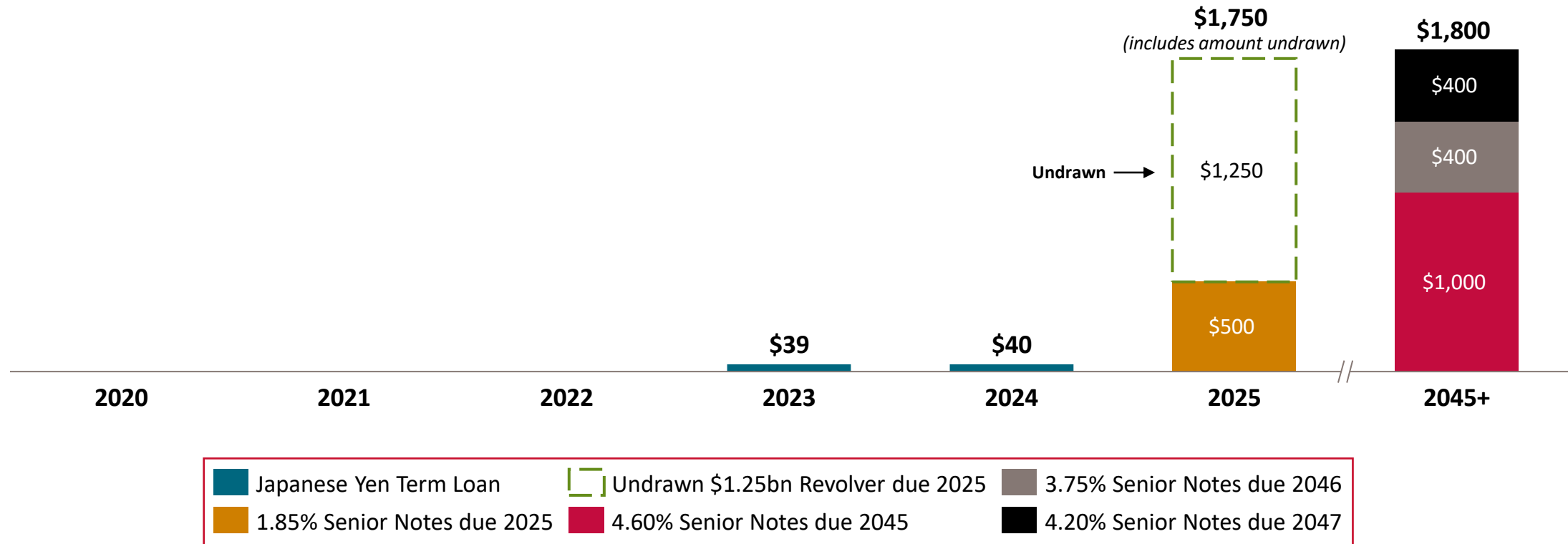
Note: Only High-Touch Solutions N.A. and Endless Assortment are considered reportable segments for GAAP purposes



Debt Maturity Schedule (as of December 31, 2021)⁽¹⁾

No significant debt maturities upcoming

(\$ millions)





Grainger's KeepStock Offering: **Overview**

Our KeepStock offering aligns solutions to the range of our customers' core challenges

Digital tools for improved visibility and management of Grainger material


Digital/CMI



- *Customer control*
- *Improved visibility*
- *Easy replenishment*

Scheduled visits to help ensure the right Grainger materials are kept on hand

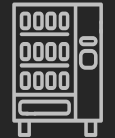
Replenish



- *Grainger managed*
- *Avoid stock outs*

Industrial vending to help control consumption and cost


Vending



- *Material at point-of-use*
- *Ability to monitor usage*

Dedicated resource for complete Grainger material management


Onsite



- *Complete MRO management*
- *Consignment where applicable*
- *Daily onsite presence*

Specialist MRO supply chain expertise and multi-supplier support


Managed



- *Expanded scope & expertise*
- *Control & visibility to all MRO material*

Complete procurement and management of MRO material

Integrated



- *Third-party management*
- *Guaranteed cost savings*

Grainger's KeepStock Offering: Core Vending Offer

Machines →

COIL

CAROUSEL

LOCKER

CABINET

DRAWER



High

High

Med to High

Medium

Medium

Security →

Non-GAAP Reconciliations





GAAP to Non-GAAP Reconciliations (Page 1 of 6)

Net Debt to Adjusted EBITDA

(in millions of dollars)

	December 31, 2021
Condensed Consolidated Balance Sheet	
Short-term debt	\$ —
Current maturities of long-term debt	—
Long-term debt	2,362
Less: Cash and cash equivalents	341
Net Debt	\$ 2,121
	LTM ending December 31, 2021
Condensed Consolidated Statement of Earnings	
Net earnings	\$ 1,114
Income taxes	371
Other expense, net	62
Condensed Consolidated Statement of Cash Flows	
Depreciation and amortization	185
EBITDA	\$ 1,732
Restructuring, net, impairment charges, and business divestitures	—
Adjusted EBITDA	\$ 1,732
Net Debt to Adjusted EBITDA	1.2x

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

Organic Daily Sales

Year Ended
December 31, 2021

Reported sales	10.4%
Day impact	0.9%
Daily sales	11.3%
Business divestitures ⁽¹⁾	1.4%
Organic daily sales	12.7%
Foreign exchange	(0.3)
Organic daily sales, constant currency	12.4%

Adjusted Gross Profit

(in millions)

	Year Ended December 31,			
	Gross		Gross	
	2021	Profit %	2020	Profit %
Gross profit reported	4,720	36.2%	4,238	35.9%
Gross profit adjusted	4,720	36.2%	4,238	35.9%

Note: The reconciliations within this appendix provide the information necessary to reconcile reported SG&A expense and reported SG&A margin to adjusted SG&A expense and adjusted SG&A margin, therefore no separate reconciliation is provided.

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



GAAP to Non-GAAP Reconciliations (Page 2 of 6)

Free Cash Flow

(\$ millions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Cash Flow	\$ 530	\$ 732	\$ 596	\$ 746	\$ 816	\$ 986	\$ 960	\$ 1,036	\$ 1,024	\$ 1,057	\$ 1,057	\$ 1,042	\$ 1,123	\$ 937
Less: Additions to property, buildings, equipment and intangibles	183	142	127	197	250	272	388	374	284	237	239	221	197	255
Free Cash Flow	\$ 347	\$ 590	\$ 469	\$ 549	\$ 566	\$ 714	\$ 572	\$ 662	\$ 740	\$ 820	\$ 818	\$ 821	\$ 926	\$ 682



GAAP to Non-GAAP Reconciliations (Page 3 of 6)

Adjusted Operating Earnings

(\$ millions)

	2017	2018	2019	2020	2021
Operating earnings reported	\$ 1,035	\$ 1,158	\$ 1,262	\$ 1,019	\$ 1,547
Restructuring, net, impairment charges, and net business divestiture losses ⁽¹⁾	112	186	126	308	-
Operating earnings adjusted	\$ 1,147	\$ 1,344	\$ 1,388	\$ 1,327	\$ 1,547
Net Sales	\$ 10,425	\$ 11,221	\$ 11,486	\$ 11,797	\$ 13,022
Adjusted Operating Earnings %	11.0%	12.0%	12.1%	11.2%	11.9%

Adjusted Earnings per Share

	2017	2018	2019	2020	2021
Diluted earnings per share reported	\$ 10.02	\$ 13.73	\$ 15.32	\$ 12.82	\$ 19.84
Pretax restructuring, net, impairment charges, and business divestiture	1.91	3.26	2.26	5.68	-
Tax effect ⁽²⁾	(0.21)	(0.29)	(0.29)	(2.32)	-
U.S tax legislation ⁽³⁾	(0.06)	-	-	-	-
Discrete tax items	(0.20)	-	-	-	-
Total, net of tax	1.44	2.97	1.97	3.36	-
Diluted earnings per share adjusted	\$ 11.46	\$ 16.70	\$ 17.29	\$ 16.18	\$ 19.84

Note: Numbers may not foot due to rounding of adjusting items. Results for 2015, 2016 and 2017 have been restated due to adoption of Accounting Standards Update (ASU) 2017-07, Compensation Retirement Benefits (Topic 715).

(1) All adjustments to reported values apply to SG&A costs, unless otherwise noted

(2) 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.

(3) 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 (Page 4 of 6)

Adjusted ROIC (1 of 2)

2021	Q4'20	Q1'21	Q2'21	Q3'21	Q4'21	5-point Avg
Total Assets	\$ 6,295	\$ 6,333	\$ 6,462	\$ 6,390	\$ 6,592	
Less: Cash Equivalents	322	387	377	161	95	
Less: Deferred and prepaid income taxes	21	14	61	46	46	
Less: Right of Use Asset	210	210	209	202	393	
Plus: LIFO reserves	446	446	450	458	510	
Less: Working Liabilities ⁽¹⁾	1,391	1,436	1,560	1,528	1,490	
Total Net Working Assets	\$ 4,797	\$ 4,732	\$ 4,705	\$ 4,911	\$ 5,077	\$ 4,844

2020	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	5-point Avg
Total Assets	\$ 6,005	\$ 7,177	\$ 7,194	\$ 6,583	\$ 6,295	
Less: Cash Equivalents	144	1,271	1,368	621	322	
Less: Deferred and prepaid income taxes	22	75	43	40	21	
Less: Right of Use Asset	223	210	210	210	210	
Plus: LIFO reserves	426	436	444	466	446	
Less: Working Liabilities ⁽¹⁾	1,350	1,443	1,327	1,409	1,391	
Total Net Working Assets	\$ 4,692	\$ 4,614	\$ 4,690	\$ 4,769	\$ 4,797	\$ 4,712

Adj. Operating Income ⁽²⁾	1,547
Net Working Assets	\$ 4,844
ROIC	31.9%

Adj. Operating Income ⁽²⁾	1,327
Net Working Assets	\$ 4,712
ROIC	28.2%



GAAP to Non-GAAP Reconciliations (Page 5 of 6)

Adjusted ROIC (2 of 2)

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 and prepaid income taxes	22	20	24	22	22	
Less: Investments in unconsolidated entities	2	-	-	-	-	
Less: Right of Use Asset	-	188	200	207	223	
Plus: LIFO reserves	394	405	419	425	426	
Less: Working Liabilities ⁽¹⁾	1,342	1,238	1,297	1,290	1,350	
Total Net Working Assets	\$ 4,613	\$ 4,823	\$ 4,810	\$ 4,739	\$ 4,692	\$ 4,735
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 and prepaid income taxes	60	59	55	39	22	
Less: Investments in unconsolidated entities	9	5	8	2	2	
Plus: LIFO reserves	382	383	386	388	394	
Less: Working Liabilities ⁽¹⁾	1,392	1,284	1,302	1,342	1,342	
Total Net Working Assets	\$ 4,600	\$ 4,856	\$ 4,843	\$ 4,647	\$ 4,613	\$ 4,712
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	71	96	125	
Less: Deferred and prepaid income taxes	100	113	116	97	60	
Less: Investments in unconsolidated entities	12	10	10	9	9	
Plus: LIFO reserves	382	381	382	382	382	
Less: Working Liabilities ⁽¹⁾	1,208	1,158	1,230	1,305	1,392	
Total Net Working Assets	\$ 4,681	\$ 4,829	\$ 4,817	\$ 4,700	\$ 4,600	\$ 4,725

Adj. Operating Income ⁽²⁾	1,388
Net Working Assets	\$ 4,735
ROIC	29.3%

Adj. Operating Income ⁽²⁾	1,344
Net Working Assets	\$ 4,712
ROIC	28.5%

Adj. Operating Income ⁽²⁾	1,147
Net Working Assets	\$ 4,725
ROIC	24.3%



GAAP to Non-GAAP Reconciliations (Page 6 of 6)

Quarterly Information

Q1 2022 Daily Sales vs. Q1 2021

	Company	High Touch Solutions N.A.	Endless Assortment
Reported Sales	18.2%	20.1%	12.1%
Daily Impact	(1.8%)	(1.9%)	(1.7%)
Daily Sales	16.4%	18.2%	10.4%
Foreign Exchange	1.5%	0.0%	7.0%
Daily Constant Currency	17.9%	18.2%	17.4%

Segment Operating Earnings

(\$ millions)	Q1'21	%	Q4'21	%	Q1'22	%
High Touch Solutions N.A.	\$ 306	12.8%	\$ 359	13.7%	\$ 481	16.7%
Endless Assortment	55	8.9%	60	9.1%	55	7.9%
Other	(3)	-4.6%	(2)	-3.0%	(2)	-2.8%
Segment operating earnings	\$ 358	11.6%	\$ 417	12.4%	\$ 534	14.6%

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

(2) 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.



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