



**NYSE: GWW**

# **Investor Presentation**

*Updated February 2024*

# 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: inflation, higher product costs or other expenses, including operational and administrative expenses; the impact of macroeconomic pressures and geopolitical trends, changes and events; a major loss of customers; loss or disruption of sources of supply; changes in customer or product mix; increased competitive pricing pressures; changes in third party practices regarding digital advertising; 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, including with respect to Grainger’s eCommerce platforms; failure to adequately protect intellectual property or successfully defend against infringement claims; fluctuations or declines in Grainger’s gross profit margin; Grainger’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, regulations related to advertising, marketing and the Internet, 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; the impact of any government shutdown; disruption or breaches of information technology or data security systems involving Grainger or third parties on which Grainger 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 Grainger’s common stock; commodity price volatility; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; outbreaks of pandemic disease or viral contagions; natural or human induced disasters, extreme weather and other catastrophes or conditions; effects of climate change; failure to execute on our efforts and programs related to environmental, social and governance matters; competition for, or failure to attract, retain, train, motivate and develop executives and key employees; loss of key members of management or key employees; loss of operational flexibility and potential for work stoppages or slowdowns if employees unionize or join a collective bargaining arrangement; changes in effective tax rates; changes in credit ratings or outlook; Grainger’s incurrence of indebtedness or failure to comply with restrictions and obligations under its debt agreements and instruments; 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 is available in the appendix to this presentation, including: adjusted return on invested capital; adjusted gross profit, adjusted operating earnings, adjusted EBITDA; adjusted SG&A; daily sales; daily, organic daily sales; constant currency sales; daily, organic constant currency sales; constant currency sales in local days; daily, organic constant currency sales in local days; net leverage ratio; and free cash flow. This communication also includes certain non-GAAP forward-looking information (including, but not limited to slides 25-26 & 33 - 35). 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 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.

Our Purpose:

***We Keep the World Working***<sup>®</sup>



A leading broad line distributor of MRO products and services determined to Keep the World Working® through innovative technology solutions and deep customer relationships

**1927**

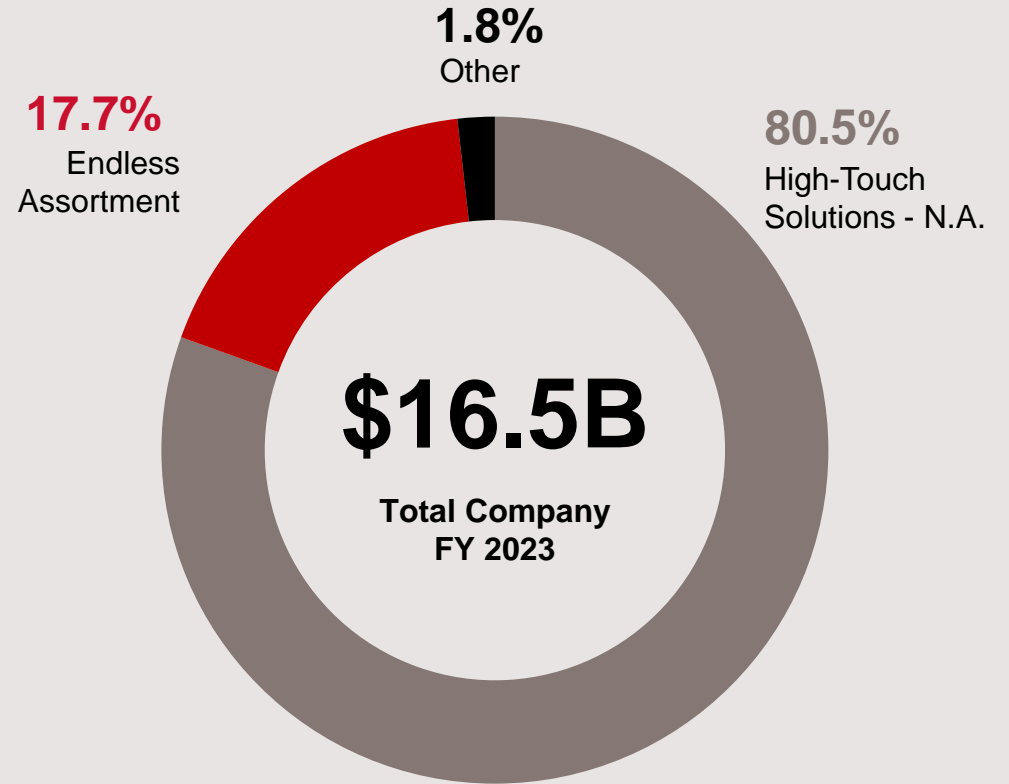
Company founded

**Largest**

MRO distributor in North America

**52 years**

of consecutive dividend increases



**>4.5M**

Active customers

**>26K**

Team members

**>30M**

Products offered globally

**34**

Distribution centers

Note: All metrics are for the year ended December 31, 2023, unless otherwise noted.

# MRO customers have two basic needs ...

*Customers looking for a partner that can deliver*

## Flawless experience

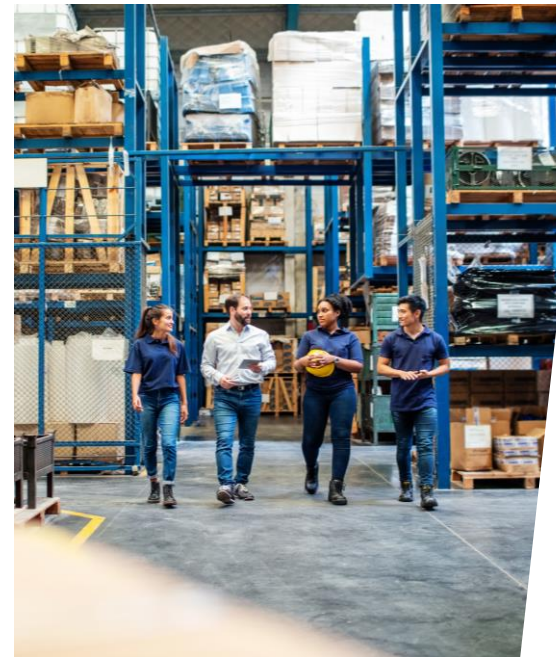
- ✓ *Have what I need*
- ✓ *Make it easy to find*
- ✓ *Get it to me fast, accurately*
- ✓ *Make it easy for me to receive, pay, return*

## Tangible value

- ✓ *Know my business*
- ✓ *Simplify my purchasing process*
- ✓ *Provide tangible cost savings*
- ✓ *Help me reduce my inventory*

# ... but these needs show up differently across customers

*Large customers with high complexity*



*E.g., a global manufacturer looking for a multi-channel, end-to-end MRO partner*

*Small customers with low complexity*



*E.g., a local job shop looking for a one-stop, online platform*

# Our two go-to-market models serve these varied customers needs

## HIGH-TOUCH SOLUTIONS N.A.



### CUSTOMER TYPE

Large to mid-size customers with highly complex operations/processes

### SEGMENT VALUE PROPOSITION

Compelling value-added MRO solutions delivered through our team of specialists and curated digital experiences

### PRIMARY GEOGRAPHIES

North America



## ENDLESS ASSORTMENT



### CUSTOMER TYPE

Smaller customers with less complex operations/processes

### SEGMENT VALUE PROPOSITION

Business purchasing made easy through a streamlined and transparent online relationship that provides access to everything a customer needs

### PRIMARY GEOGRAPHIES

Japan, USA



# Each segment has a unique delivery model ...

## High-Touch Solutions N.A.

Relationships



**Sales & Service Representatives**



**Digital**

Nearly 4,000 sales representatives coupled with digital solutions driving deep customer relationships

Origination

Digital Channels

Physical Channels



**Website**  
36% of orders

Curated product information and search



**EDI/ePro**  
23% of orders

Integrated software in customer's purchasing process



**KeepStock**  
18% of orders

Vending and inventory management



**Phone**  
15% of orders

Strong technical knowledge across a wide range of product categories



**Branch**  
8% of orders

Fulfillment

Direct-to-Customer

Physical Pickup



**Distribution Centers (DCs)**

69% of orders



**KeepStock**

18% of orders



**Branch Network**

13% of orders

Footprint

**United States** <sup>(1)</sup>

- 311 Branches
- 21 DCs

**Canada**

- 32 Branches
- 5 DCs

**Mexico**

- 16 Branches
- 2 DCs

**Puerto Rico**

- 3 Branches
- 1 DC

## Endless Assortment

Relationships



**Primarily Digital**

Digital solutions and marketing to build strong relationships

Origination



**Website**

Streamlined search and transactional experience

Fulfillment



**Distribution Centers + 3<sup>rd</sup> Party Partners**

Expansive assortment across all business-to-business categories at competitive prices

Footprint



- >22M available SKU's
- 4 DC's



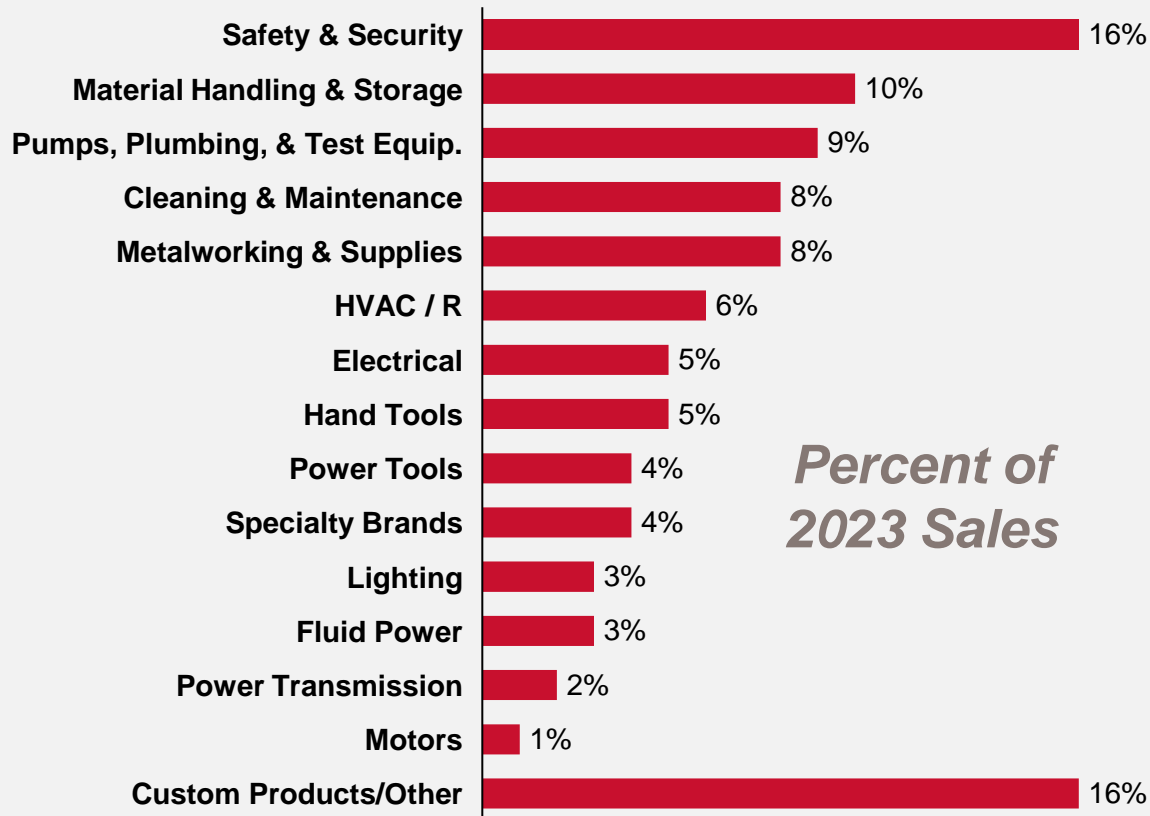
- >13M available SKU's
- Leverages High-Touch Solutions - U.S distribution centers

### MonotaRO Background

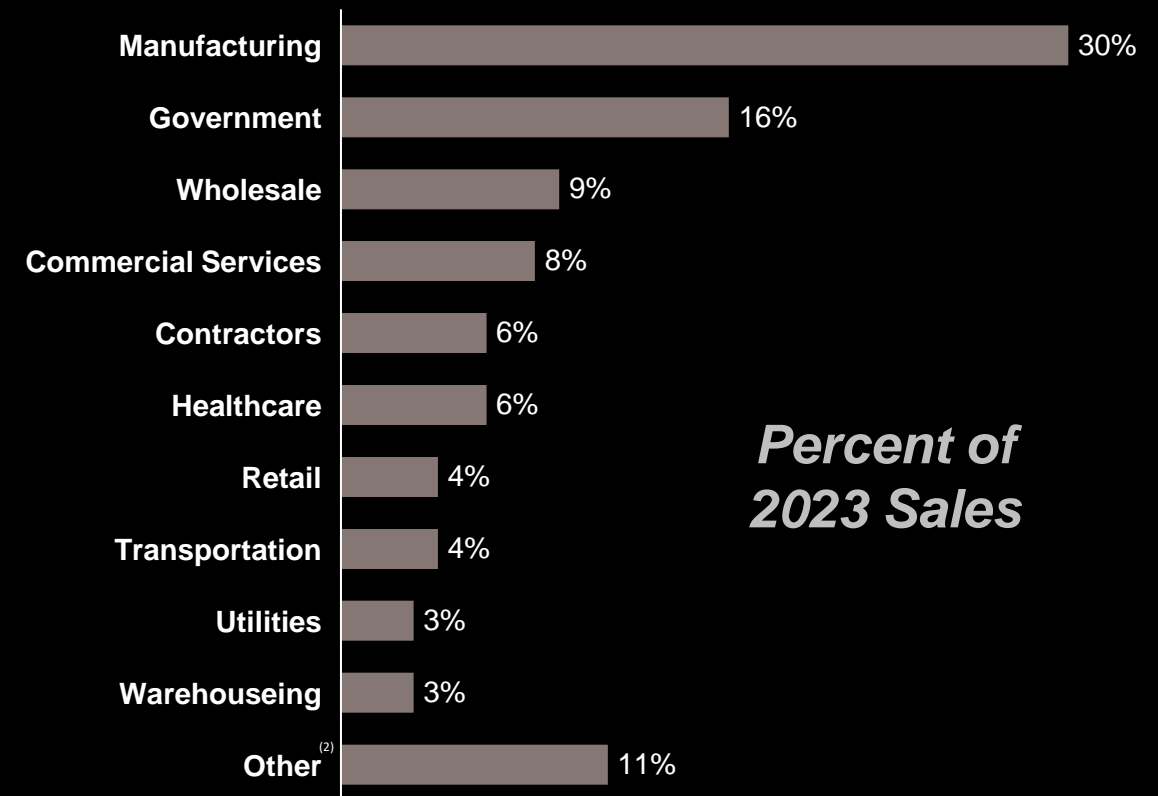
- Started in 2000 as a JV between Grainger and Sumitomo
- GWW owns ~51% stake
- Publicly traded in Japan (TSE: 3041); Market Cap ~\$5.4B

# ... connecting a broad assortment of MRO products to a diversified customer base

## Total Company Product Assortment



## Total Company Customer End-Markets<sup>(1)</sup>



Note: All metrics are for the year ended December 31, 2023, unless otherwise noted.

(1) Customer end market results reflect the Company's current end market classification system implemented January 1, 2023. The new customer end market definitions primarily follows the North American Industry Classification System (NAICS) and will be used on a go forward basis.

(2) Includes industries that are not material individually, including hospitality, restaurants, property management and natural resources.

# Investment Highlights



# Attractive investment thesis

**1**

Industry leader in large and highly attractive market with opportunity to capture share

**2**

Powerful customer value proposition, fueled by data and technology

**3**

Advantaged supply chain furthering competitive position

**4**

Strong financial position supporting growth and disciplined return of capital

**5**

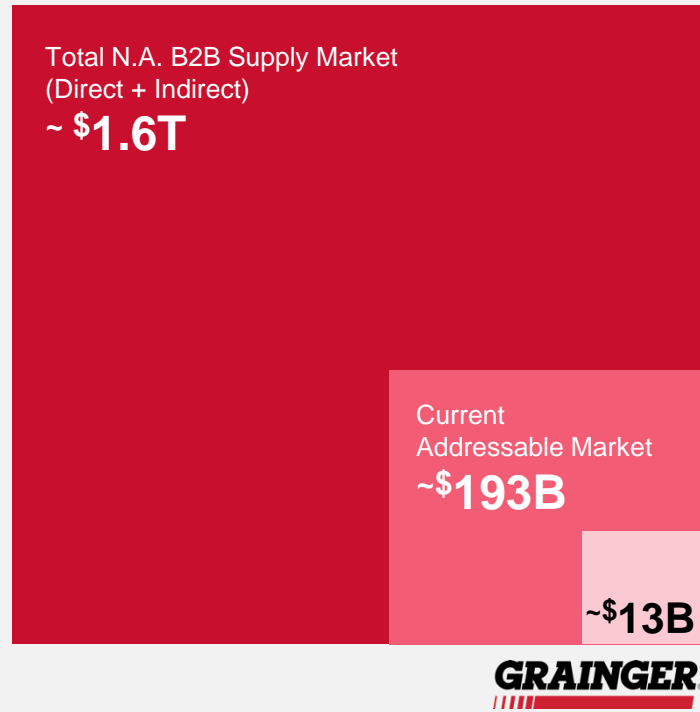
Purpose-driven culture supporting performance and commitment to ESG principles



# Competing in large, fragmented market ...

## High-Touch Solutions N.A.

Largest player with only ~7% share

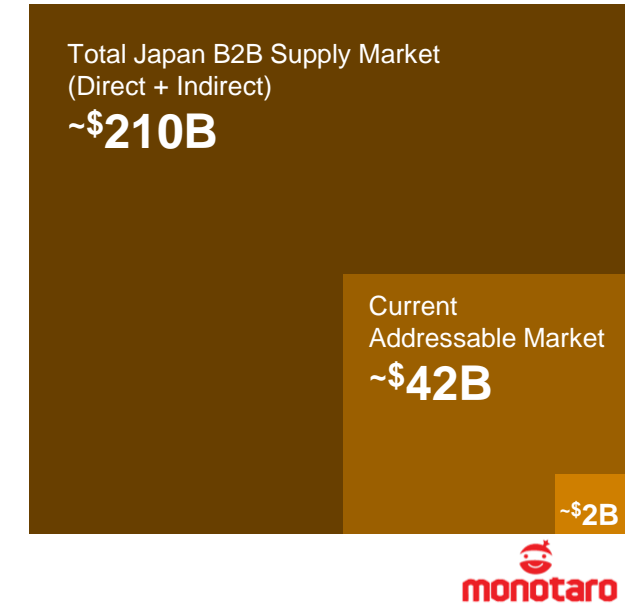


## Endless Assortment

Expanding TAM with SKU additions



Industry pioneer in Japan



# ... with attractive industry dynamics

## Favorable MRO market characteristics ...

- ✓ Resilient end-market demand
- ✓ Supply non-discretionary products and services
- ✓ Attractive consolidation economics
- ✓ Accelerated digital adoption
- ✓ Labor constraints
- ✓ Heightened focus on supply chain resilience
- ✓ Increased automation
- ✓ Manufacturing re-shoring



... with supportive macro tailwinds

# High-Touch Solutions N.A.: Industry-leading, value-added offer...

## Overview

We deliver compelling value-added MRO solutions through our teams of specialists and curated digital experiences

## Customer Offer

- ✓ MRO-focused assortment
- ✓ Highly-curated search experience
- ✓ Customer-relevant touch points with technical product support
- ✓ Seamless purchasing process
- ✓ Effective inventory management and onsite services
- ✓ Leading ESG services and solutions
- ✓ Industry-leading fulfillment

## Performance

(FY 2023)

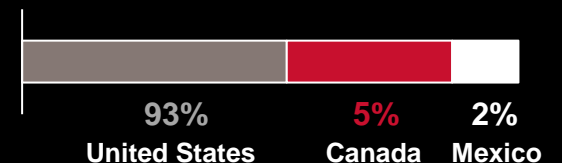
**\$13.3B**

Revenue

**17.8%**

Operating Margin

### Revenue Mix



**~2.0M** AVAILABLE SKUs

**~4k** SALES TEAM MEMBERS

**>75%** REVENUE THROUGH DIGITAL CHANNELS<sup>(1)</sup>

Note: All metrics are for the year ended December 31, 2023, unless otherwise noted. All financial results are represented on an adjusted basis. See appendix for a reconciliation of any non-GAAP measures.

(1) Includes sales through grainger.com, EDI/ePro, and KeepStock.

# ... enabled by a multi-year investment in data and technology, fueling our strategic growth engines

Large scale creates significant complexity

Simplified through home-grown technology and data solutions

Driving growth and delivering customer value

## Millions of products



- ✓ From thousands of suppliers
- ✓ With countless attributes unique to each product category

## ~1.2M Customers



- ✓ Across diverse end-markets
- ✓ With varying levels of operational complexity

## Product Information Management System

- ✓ Allowing us to organize and curate the assortment



## Customer Information Management System

- ✓ Capturing deep customer knowledge

Growth Engines



### Merchandising

Helping customers find and select the products they need to get the job done



### Marketing

Building brand awareness, engaging target customers and capturing in-the-moment demand



### Sales Coverage

Leveraging data and technology tools to better inform our sales investments



### Seller Effectiveness

Equipping our sales and services teams with the right resources to improve sales motions



### Customer Solutions

Deepening customer relationships via suite of value-added customer solutions

# Endless Assortment: One-stop shopping for B2B customers

## Overview

Business supply purchasing made easy through a streamlined and transparent online relationship that provides access to everything a customer needs

## Customer Offer

- ✓ Large, diverse assortment of indirect materials for one-stop shopping
- ✓ Competitive, transparent pricing
- ✓ Intuitive, business-focused search optimized for broad assortment
- ✓ Intelligent analytics capabilities driving relevant recommendations
- ✓ Seamless service and fulfillment, supported in U.S. by Grainger supply chain

## Performance

(FY 2023)

**\$2.9B**

Revenue

**8.0%**

Operating Margin

Revenue Mix



62%  
MonotaRO

38%  
Zoro<sup>(1)</sup>

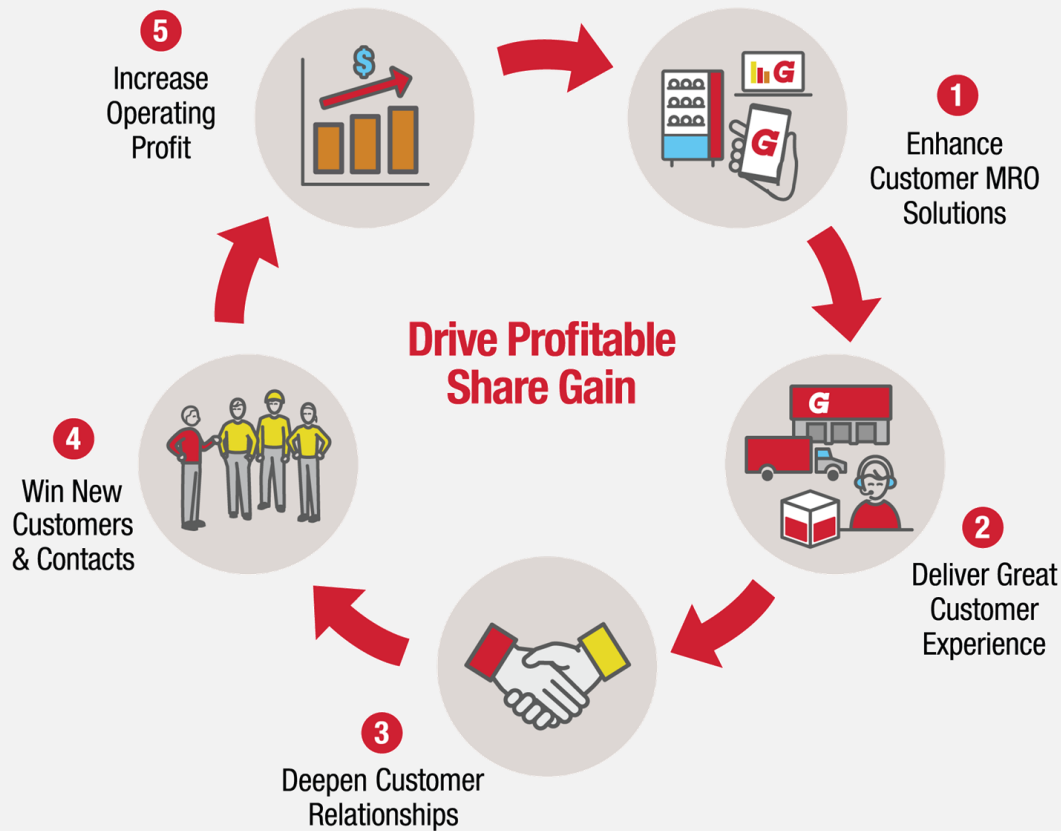
**~14.2M** REGISTERED USERS

**>13M** AVAILABLE SKUs  
*ZORO*

**>22M** AVAILABLE SKUs  
*MonotaRO*

# Strong customer value proposition propels commercial flywheel across both segments

## High-Touch Solutions N.A.



## Endless Assortment



# Our purpose-built supply chain is driven by innovation and know-how ...

## B2B customer expectations ...

- ✓ **Broad, stocked assortment**
- ✓ **Delivered next day**
- ✓ **Order complete**
- ✓ **Reliability**

**Delivered at scale**

### Network footprint

The right buildings in the right location

### Service-oriented team

Supported by strong partnerships

### Stocking strategy

Access to the right products and stocked in the right location

### Proven operating model

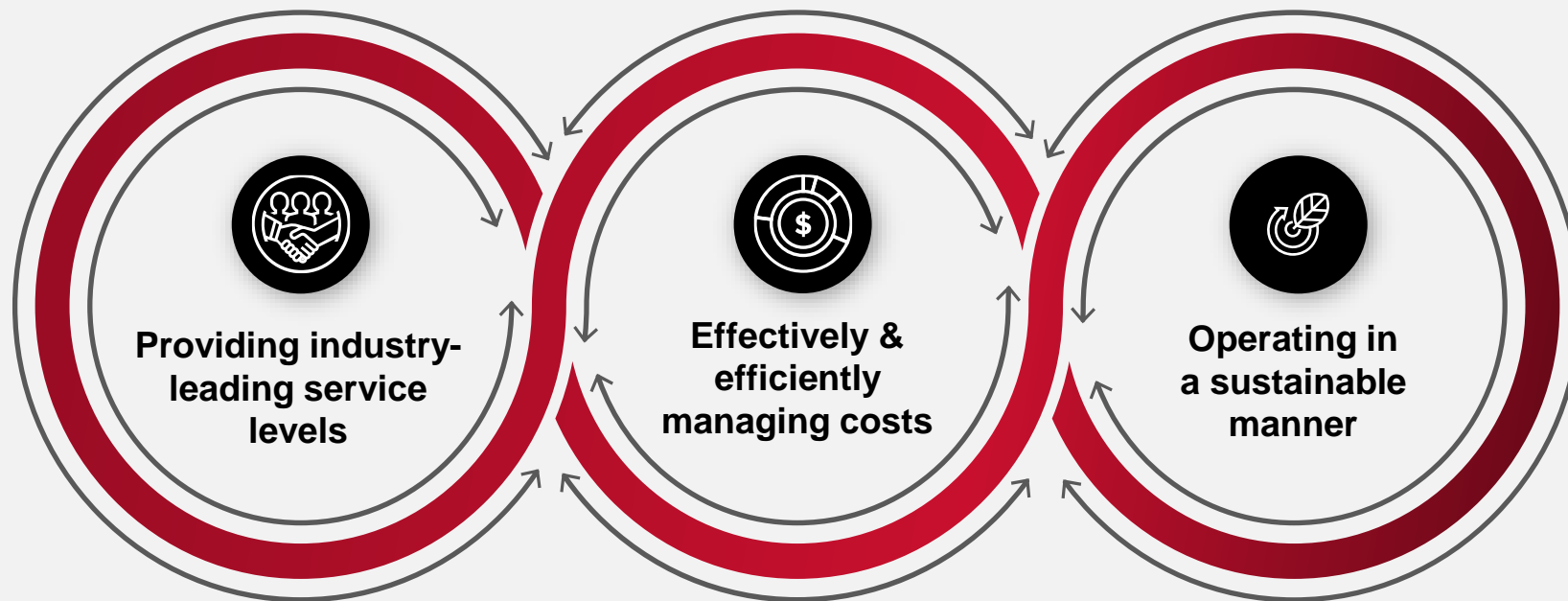
Curated rules that drive scalable processes



... met through a world-class supply chain built for B2B customers

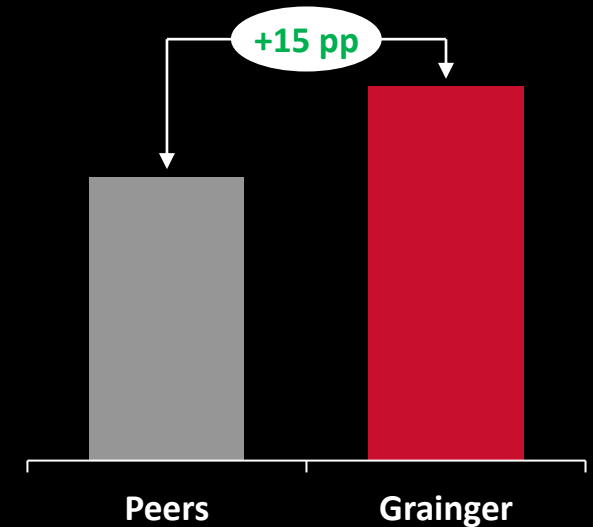
# ... and delivers industry-leading service while also managing cost and reducing our environmental footprint

*Highest-level of customer service usually equates to shorter shipping distances – often resulting in the lowest cost and an environmentally friendly footprint*



**Customer satisfaction outpaces the competition<sup>(1)</sup>**

2023 CSAT Scores



# Strong financial position with track record of cash generation through-the-cycle

## Strong and flexible balance sheet

# 0.6x

NET LEVERAGE RATIO

- ✓ No significant maturities until 2025
- ✓ Long-term net leverage target of ~1.0x

# ~\$1.9B

AVAILABLE LIQUIDITY  
(Cash + Undrawn Revolving  
Credit Facility)

Credit  
Ratings

# A+

Stable

S&P

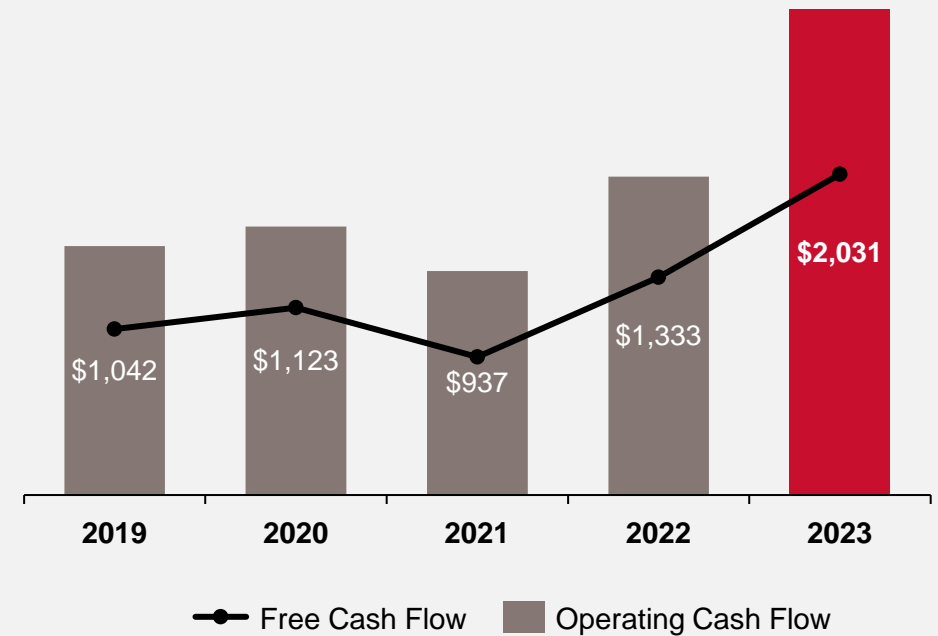
# A2

Stable

Moody's

## Durable cash flows & low capital intensity

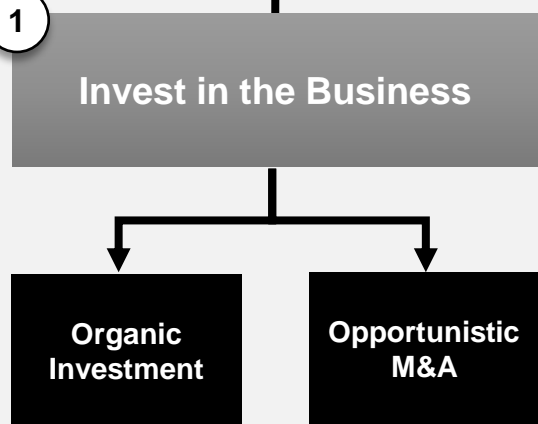
(\$ millions)



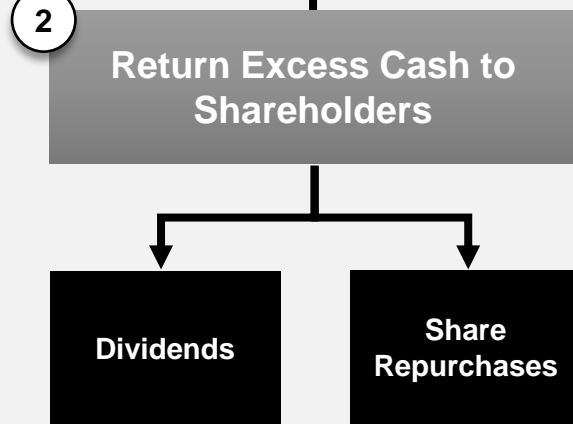
# Executing consistent, return-driven approach to capital allocation

## Capital allocation priorities

### Operating Cash Flow



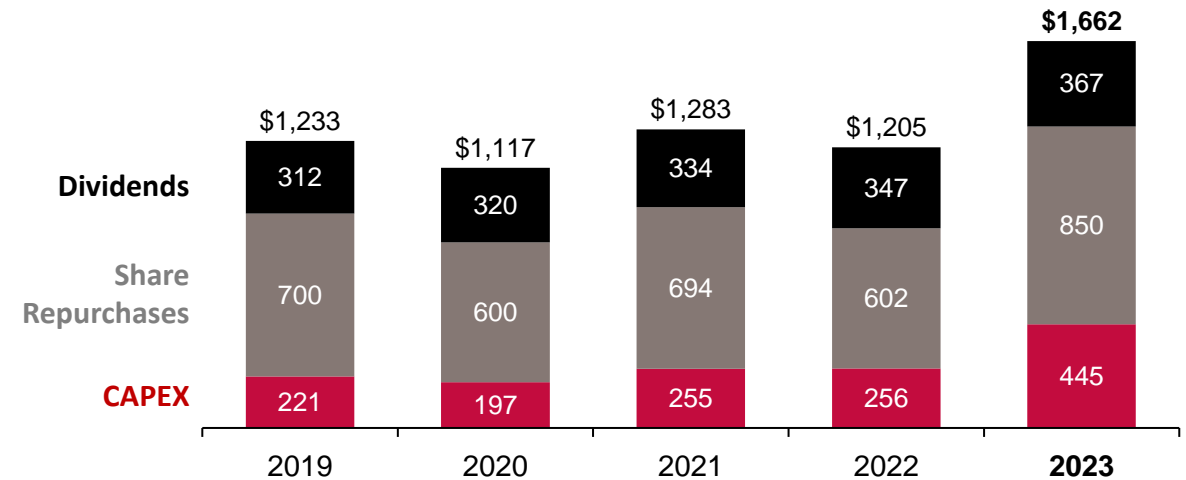
Continued investment to support growth



"Dividend King" with consistent track-record of capital return to shareholders

## Historical use of cash<sup>(1)</sup>

(\$ millions)



**52 years**

of consecutive annual dividend increases, averaging 11% CAGR since 1970

**~\$3.5B**

total share repurchases over the last 5 years at \$429 weighted average price per share

**42.8%**

FY 2023 adjusted return on invested capital

# The Grainger Edge<sup>®</sup> powering an award-winning culture

## Our Purpose

“We Keep the World *Working*<sup>®</sup>”

## Our Principles

-  Start with the Customer
-  Win as One Team
-  Embrace Curiosity
-  Invest in our Success
-  Act with Intent
-  Compete with Urgency
-  Do the Right Thing

## External recognition <sup>(1)(2)</sup>



# Taking a thoughtful approach to sustainability

## External recognition & statistics<sup>(1)</sup>



A- Rating



**\$1B**

Sales of environmentally preferable products in HTS - U.S. <sup>(2)</sup>

**26%**

Reduction in total absolute global Scope 1 & 2 emissions since 2018. Tracking to 50% target by 2030 <sup>(3)</sup>

**>\$2B**

Spent on products from small businesses <sup>(4)</sup>

## Near-term ESG priorities



Customer sustainability solutions



Diversity, equity and inclusion



Energy and emissions



Supplier diversity

For more information on Grainger's corporate responsibility initiatives, see the annual ESG report available at [www.GraingerESG.com](http://www.GraingerESG.com)

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(2) As of December 31, 2022.

(3) As of December 31, 2022. 50% emissions reduction target by 2030 uses a 2018 baseline.

(4) Including women, minority, veteran, hub zone, LGBTQ+, disabled, and disadvantaged businesses using the federal government's fiscal year ended September 30, 2022.

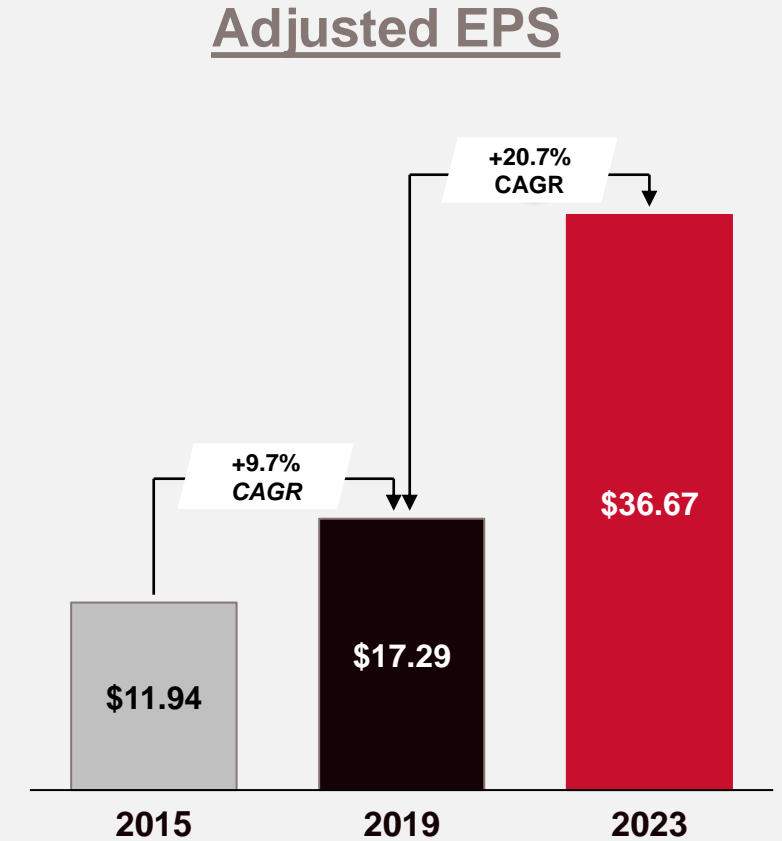
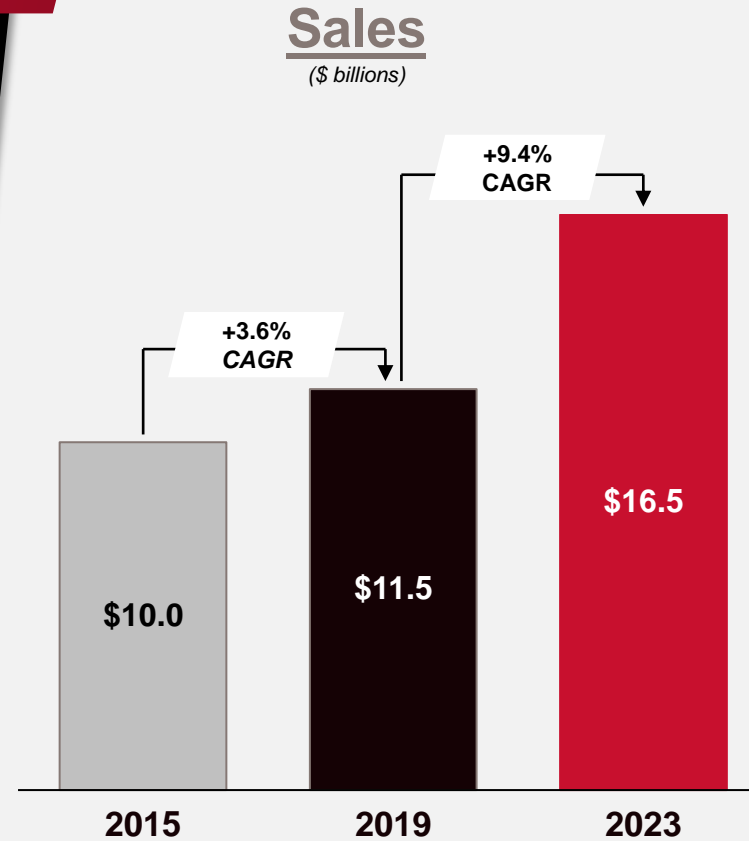
# Financial Performance & Outlook



# Accelerating growth & profitability by focusing on what matters

## Achieving financial goals

- ✓ Driving strong growth and share gain
- ✓ Improving profitability
- ✓ Generating strong cash flow
- ✓ Delivering exceptional ROIC
- ✓ Consistently returning cash to shareholders



# Expect continued strong results in 2024

## Full-year 2024 Total Company Guidance

*Continuing to invest in the business while maintaining strong earnings growth*

	2023A	2024 Guidance <small>(updated as of Feb 2, 2024)</small>	<u>Y/Y change</u>
Sales (\$ billions)	\$16.5	\$17.2 – \$17.7	<b>4.3% to 7.3%</b> <small>(4.0% to 7.0% daily, organic constant currency sales)</small>
Gross Profit Margin	39.4%	39.1% – 39.4%	<b>(30) to Flat</b>
Operating Margin	15.7%	15.3% – 15.8%	<b>(40) to 10 bps</b>
EPS (diluted)	\$36.67	\$38.00 – \$40.50	<b>3.6% to 10.5%</b>

# Long-term earnings framework outlines attractive return potential

## Focused execution

**Strong top-line growth**

- ✓ Targeting 400 - 500bps of annual market outgrowth in HTS-U.S.
- ✓ Goal to return EA revenue CAGR to grow in the teens



**Generally stable gross profit margins**

- ✓ Stability from FY 2024 baseline
- ✓ Expect segment mix headwinds as EA grows faster than HTS-N.A.



**Grow SG&A slower than sales<sup>(1)</sup>**

- ✓ Anticipate productivity initiatives will offset continued demand generation investment

**Robust cash flow generation supporting capital priorities**

- ✓ Expect operating cash conversation around ~100% of net earnings
- ✓ Anticipate CapEx to remain elevated at ~\$500 million average per year through 2027<sup>(3)</sup> while maintaining a strong ROIC
- ✓ Executing consistent approach to capital allocation, including HSD-LDD% annual dividend growth target

## Attractive total return potential

**Double-digit Adj. EPS CAGR<sup>(1)(2)</sup>**



**Strong dividend track record**

**Significant shareholder value creation**

(1) At Total Company level.













(2) Assumes normal market conditions including U.S. MRO market CAGR of +2.0 - 3.0% (including volume and price) and tax rate of ~24%.

(3) Normalizing to ~1.5 - 2.0% of sales thereafter.

# Appendix



# Grainger's Leadership Team

	<u>Name</u>	<u>Title</u>	<u>Yrs. In Role (with GWW)<sup>(1)</sup></u>
	<b>D.G. Macpherson</b>	Chairman and Chief Executive Officer	7 years (16)
	<b>Nancy Berardinelli-Krantz</b>	SVP, Chief Legal Officer	1 year (1)
	<b>Nadalie Bosse</b>	Group VP, Customer Experience	< 1 year (8)
	<b>Matt Fortin</b>	SVP, Chief Human Resources Officer	< 1 year (18)
	<b>Barry Greenhouse</b>	SVP, Merchandising and Supplier Management	< 1 year (19)
	<b>Anand Lal</b>	Group VP, Supply Chain	< 1 year (8)
	<b>Jonny LeRoy</b>	SVP and Chief Technology Officer	4 years (4)
	<b>Deidra Merriweather</b>	SVP and Chief Financial Officer	3 years (10)
	<b>Rob Reynolds</b>	SVP, Branch and DC Operations	< 1 year (15)
	<b>Paige Robbins</b>	SVP and President, Grainger Business Unit	3 years (13)
	<b>Masaya Suzuki</b>	Managing Director, Endless Assortment Business	4 years (23)
	<b>Brian Walker</b>	SVP and Chief Product Officer	4 years (17)

Note: For more information on Grainger's management team, visit <https://invest.grainger.com/governance/executive-management>

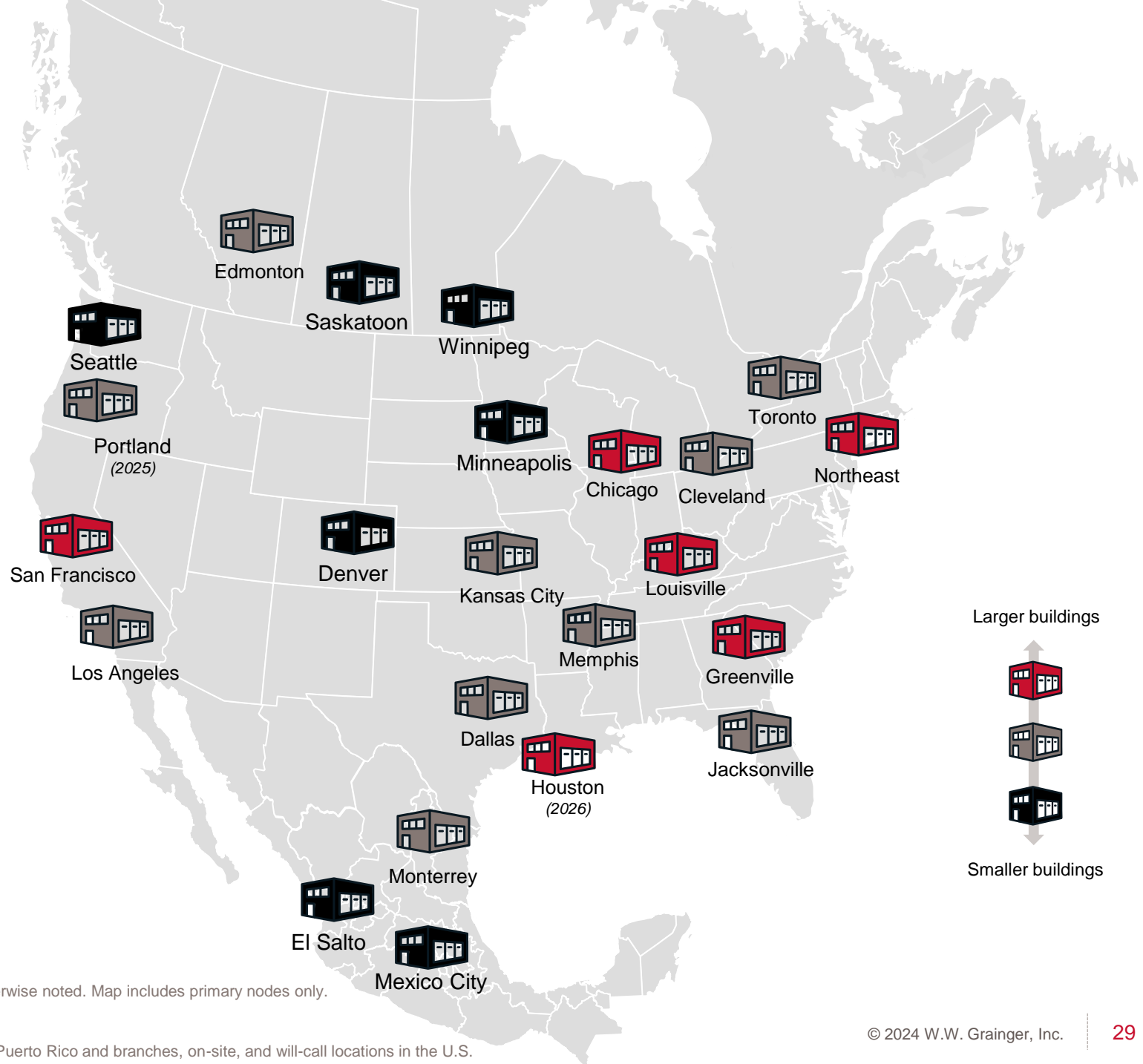
(1) Years of service rounded to the nearest whole year as of January 24, 2024.

# High-Touch Solutions N.A. supply chain network designed for reach and resilience

**99%**  
of the U.S. postal codes  
reachable the next day <sup>(1)</sup>

**>80%**  
of Canadian postal codes  
offered next day <sup>(2)</sup>

**362 Branches**  
for walk in solutions <sup>(3)</sup>



Note: All metrics are for the year ended December 31, 2023, unless otherwise noted. Map includes primary nodes only.

(1) Based on all U.S. postal codes and Grainger locations.

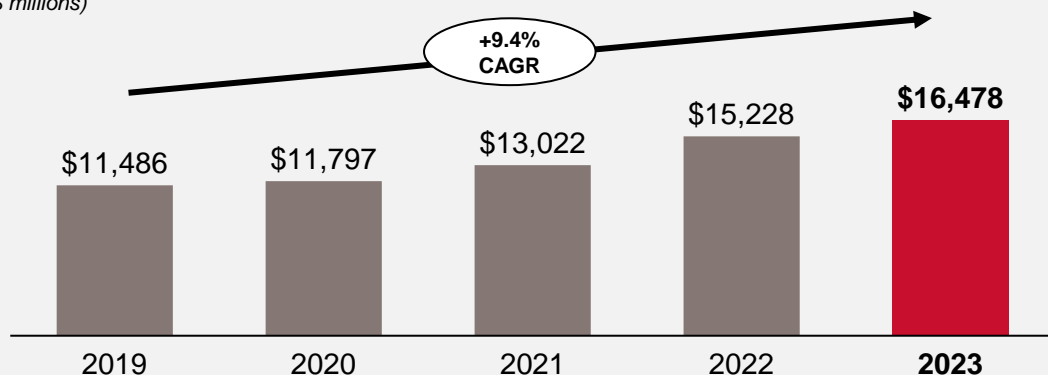
(2) Based on Canadian postal codes with an active customer.

(3) Total NA Branch count includes branches in Canada, Mexico, and Puerto Rico and branches, on-site, and will-call locations in the U.S.

# Historical financial performance: Total Company

## Revenue

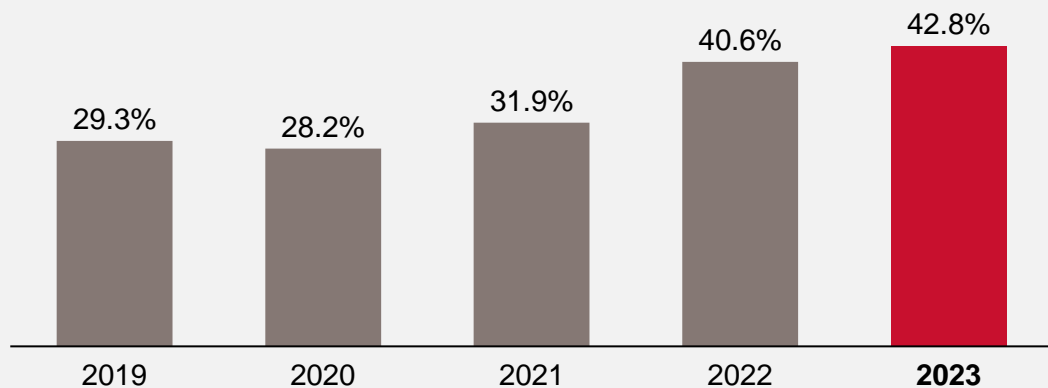
(\$ millions)



Daily, organic constant currency sales

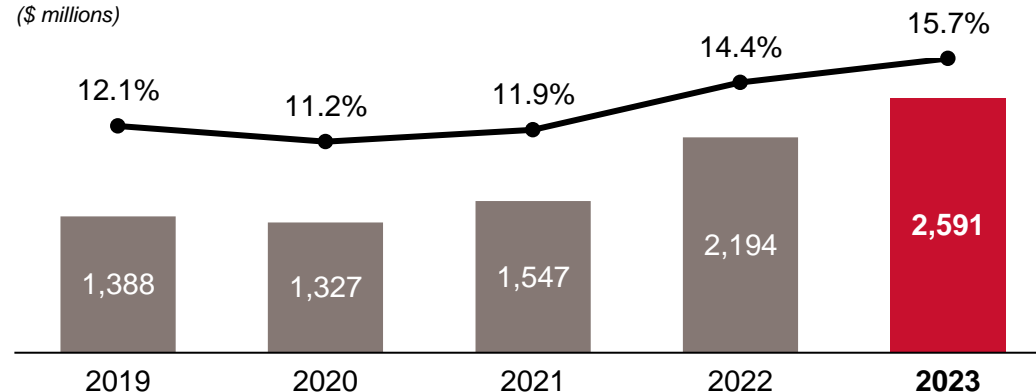
2019	2.7%	3.5%	12.4%	19.3%	9.5%
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## Adjusted ROIC

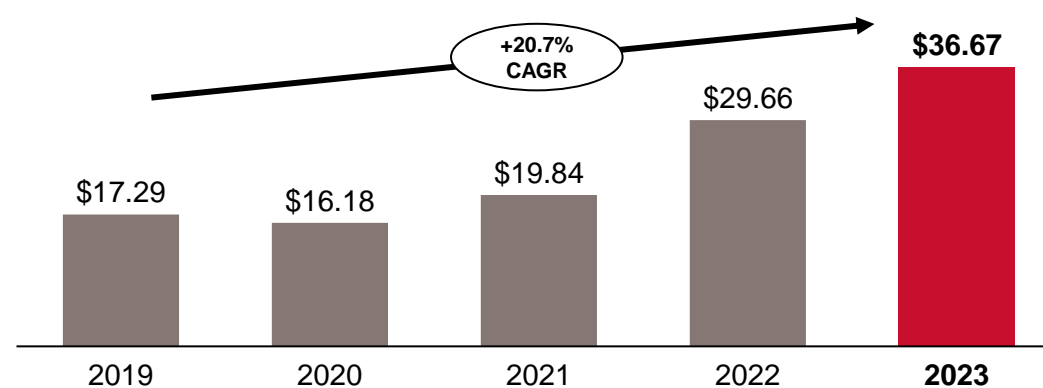


## Adjusted Operating Earnings & Margin

(\$ millions)

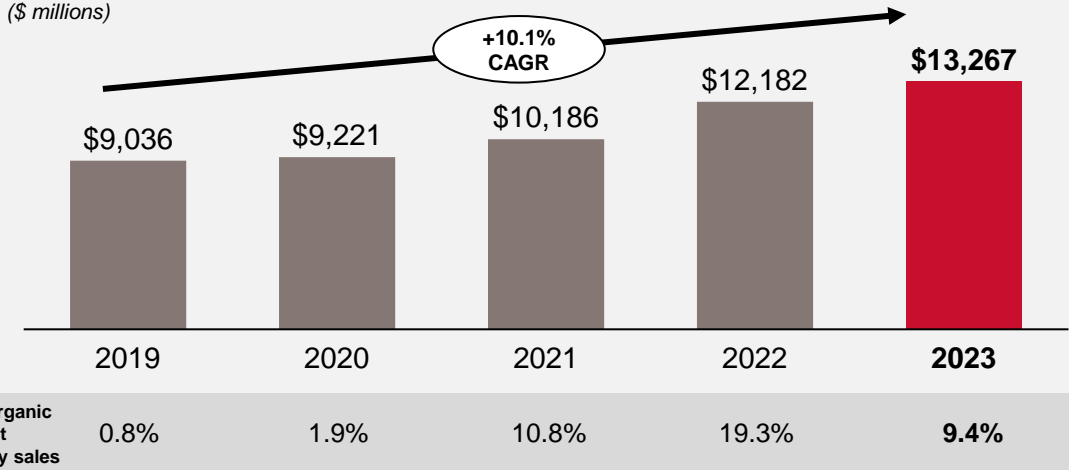


## Adjusted EPS

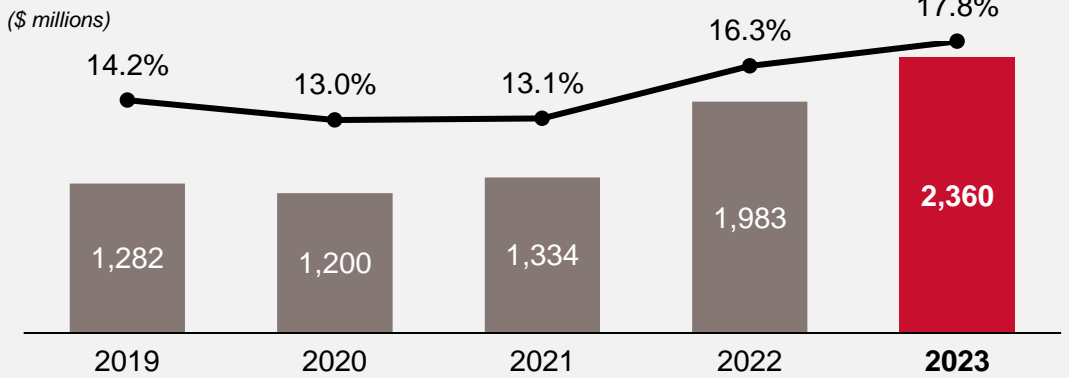


# Historical financial performance: High-Touch Solutions N.A.

## Revenue



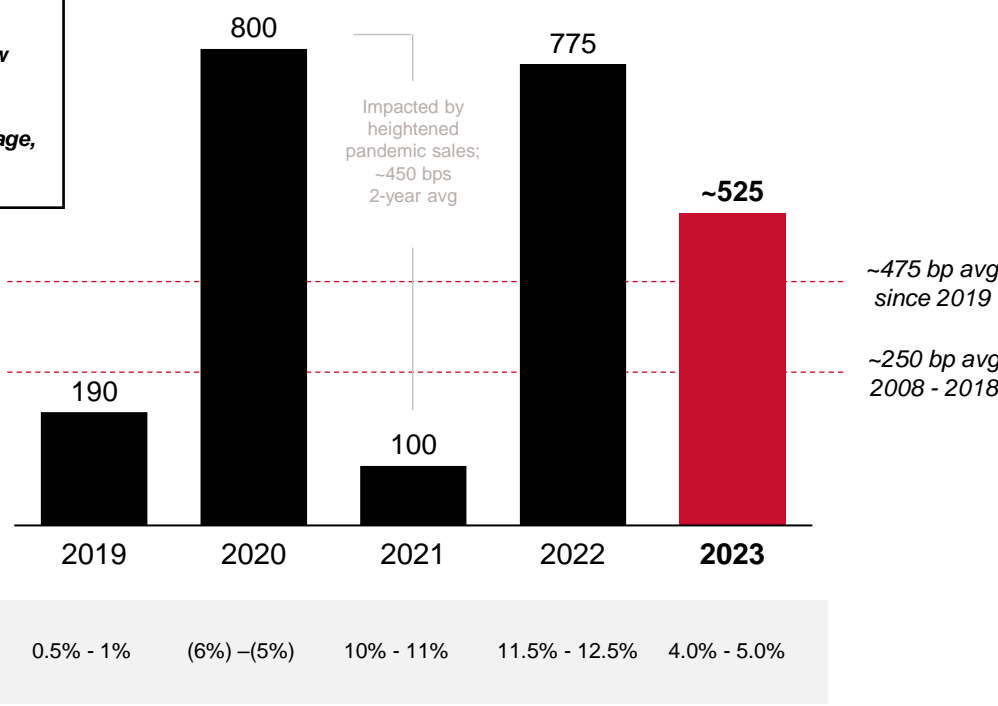
## Adjusted Operating Earnings & Margin



## Key Operating Metric

**Go Forward:**  
 Target is to grow **400 to 500 bps** faster than the market, on average, each year<sup>(2)</sup>

### High-Touch Solutions U.S. Market Outgrowth<sup>(1)</sup>

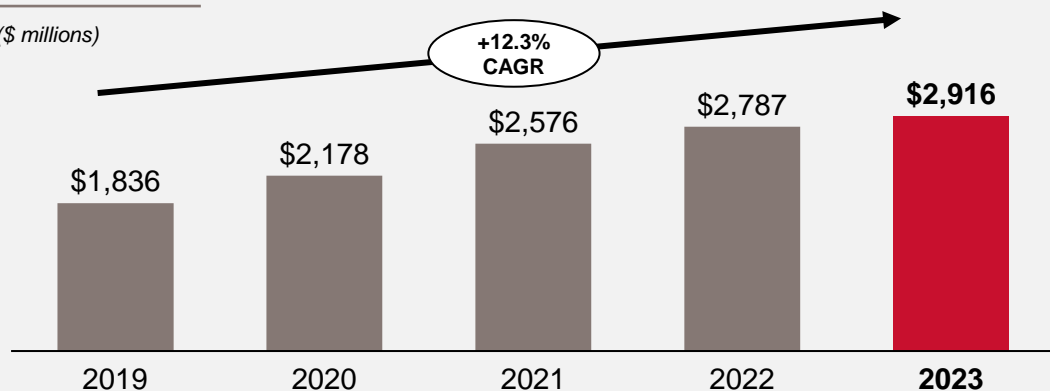


Note: See appendix for a reconciliation of any Non-GAAP financial measures.  
 (1) Company estimates using a compilation of IP - NAICS Manufacturing sub-index (volume component) and PPI - Final Demand, Private Capital sub-index (price component) as the primary inputs. Outgrowth measured as High-Touch Solutions - U.S. daily, organic sales growth less estimated U.S. MRO market growth.  
 (2) Updated target communicated at Company Investor Day on September 21, 2022.

# Historical financial performance: **Endless Assortment**

## Revenue

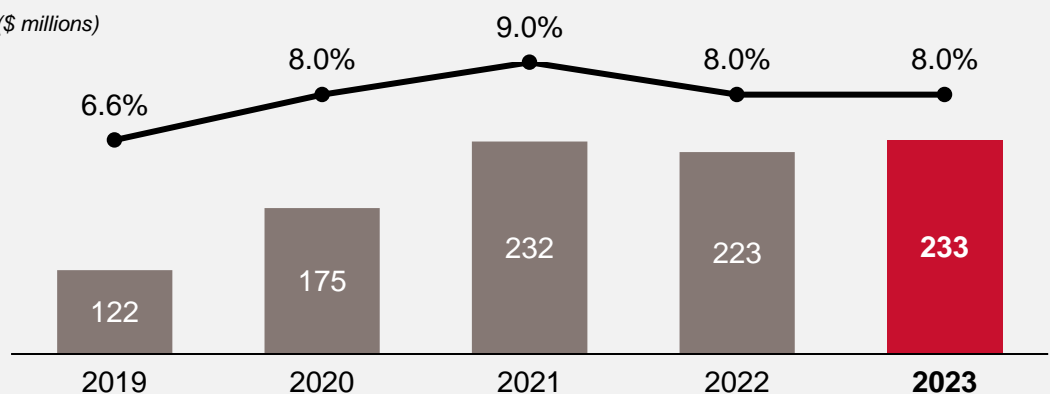
(\$ millions)



Year	Daily, organic constant currency sales
2019	17.2%
2020	16.6%
2021	20.5%
2022	20.1%
2023	10.4%

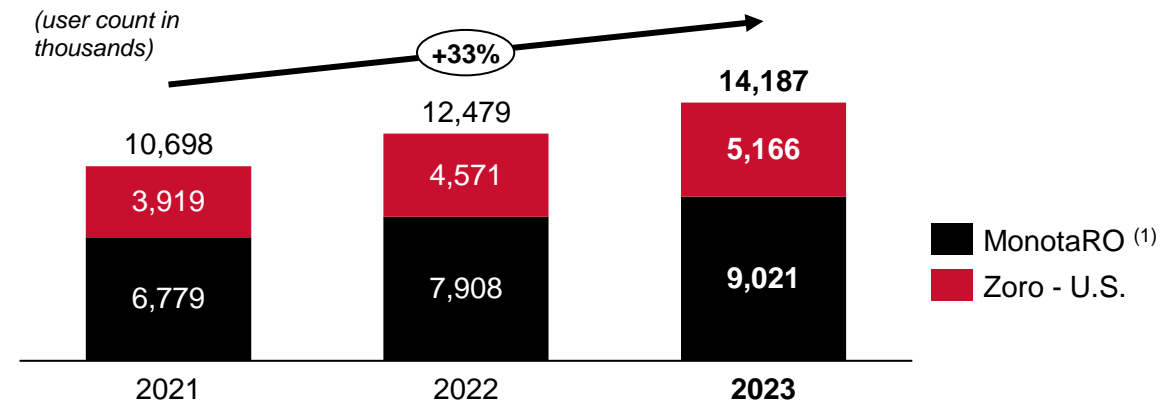
## Adjusted Operating Earnings & Margin

(\$ millions)

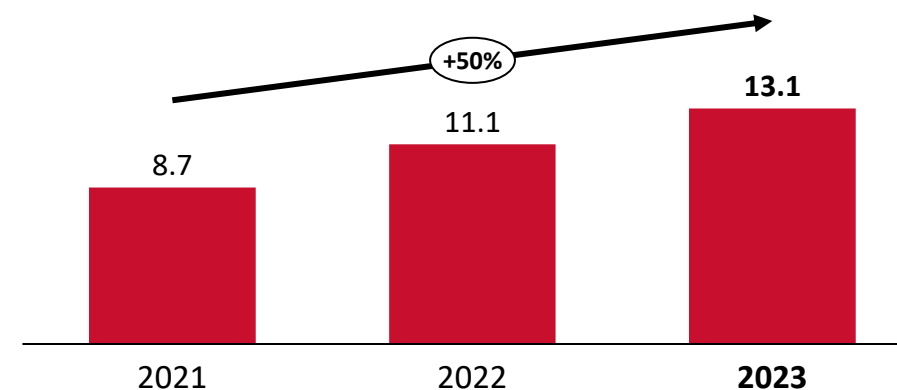


## Key Operating Metric – Registered Users<sup>(1)</sup>

(user count in thousands)



## Key Operating Metric – Zoro U.S. Total Active SKUs



Note: See appendix for a reconciliation of any Non-GAAP financial measures

(1) Registered user count excludes historical non-strategic accounts and channels.

(2) MonotaRO's results are reported one-month in arrears.

# 2024 FY Guidance: Segment revenue

**3.5 - 6.5%**<sup>(1)</sup>

## High-Touch Solutions - N.A.

2024 daily, organic constant currency sales growth vs. 2023

### Key assumptions

- U.S. MRO market growth of (0.5%) to 1.5%
  - Volume: (0.5%) to 0.5%
  - Price: 0% to 1%
- Strategic growth engines drive outgrowth of 400 to 500 bps in HTS-U.S.
- Canada growing mid-single-digits in local currency

**7.0 - 10.0%**<sup>(1)(2)</sup>

## Endless Assortment

2024 daily, constant currency sales growth vs. 2023

### Key assumptions

- Reported sales growth ~120 basis points lower than daily, constant currency sales growth
- MonotaRO growth in the low-double digits in local days, local currency
- Zero daily sales growth in the mid-single digits

**\$17.2 - 17.7B**

## Total Company

2024 net sales

*Implies 2024 daily, organic constant currency sales growth of 4.0% to 7.0% vs. 2023<sup>(1)(2)</sup>*

# 2024 FY Guidance: Segment operating margin

**17.4 - 17.9%**

## High-Touch Solutions N.A.

2024 adj. operating margin; down 40 bps to up 10 bps vs. 2023

### Key assumptions

- Gross margins stabilize after lap of one-time benefits captured in 2023
- Continued investment in demand generation activities
- Canada continues to improve profitability

**7.3 - 7.8%**

## Endless Assortment

2024 adj. operating margin; down 70 bps to down 20 bps vs. 2023

### Key assumptions

- Segment-level OM% roughly flat to 2H'23 as Zoro re-baselines following non-core, B2C-like revenue declines
  - Expect OM% roughly neutral at MonotaRO as modest gross margin pressure is offset by SG&A leverage
  - Zoro de-leverage driven by slower top-line growth and strategic project spend

**15.3 - 15.8%**

## Total Company

2024 adj. operating margin

*Implies (40) bps to +10 bps vs. 2023*

# 2024 FY Guidance: Supplemental Guidance

## Cash Flow Guidance

(\$ millions)	2023A	2024 Guidance <i>(updated as of February 2, 2024)</i>
Operating Cash Flow	\$2,033	\$1,900 – \$2,100
Capital Expenditures <sup>(1)</sup>	\$445	\$400 – \$500
Share Repurchases <sup>(2)</sup>	\$850	\$900 – \$1,100

## Sales Growth Guidance

	2024 Guidance <i>(updated as of February 2, 2024)</i>	
	Low	High
Reported Sales	4.3%	7.3%
Daily Impact <sup>(3)</sup>	(0.8%)	(0.8%)
Business Divestiture <sup>(4)</sup>	0.4%	0.4%
Foreign Currency Exchange	0.1%	0.1%
Daily, Organic Constant Currency Sales	4.0%	7.0%

Note: Guidance provided on an adjusted basis. Assumes corporate effective tax rate of ~24% and JPY / USD FX rate of 144. See appendix for a reconciliation of any non-GAAP financial measures. Numbers may not sum due to rounding.

(1) CapEx as reflected in the cash flow statement.

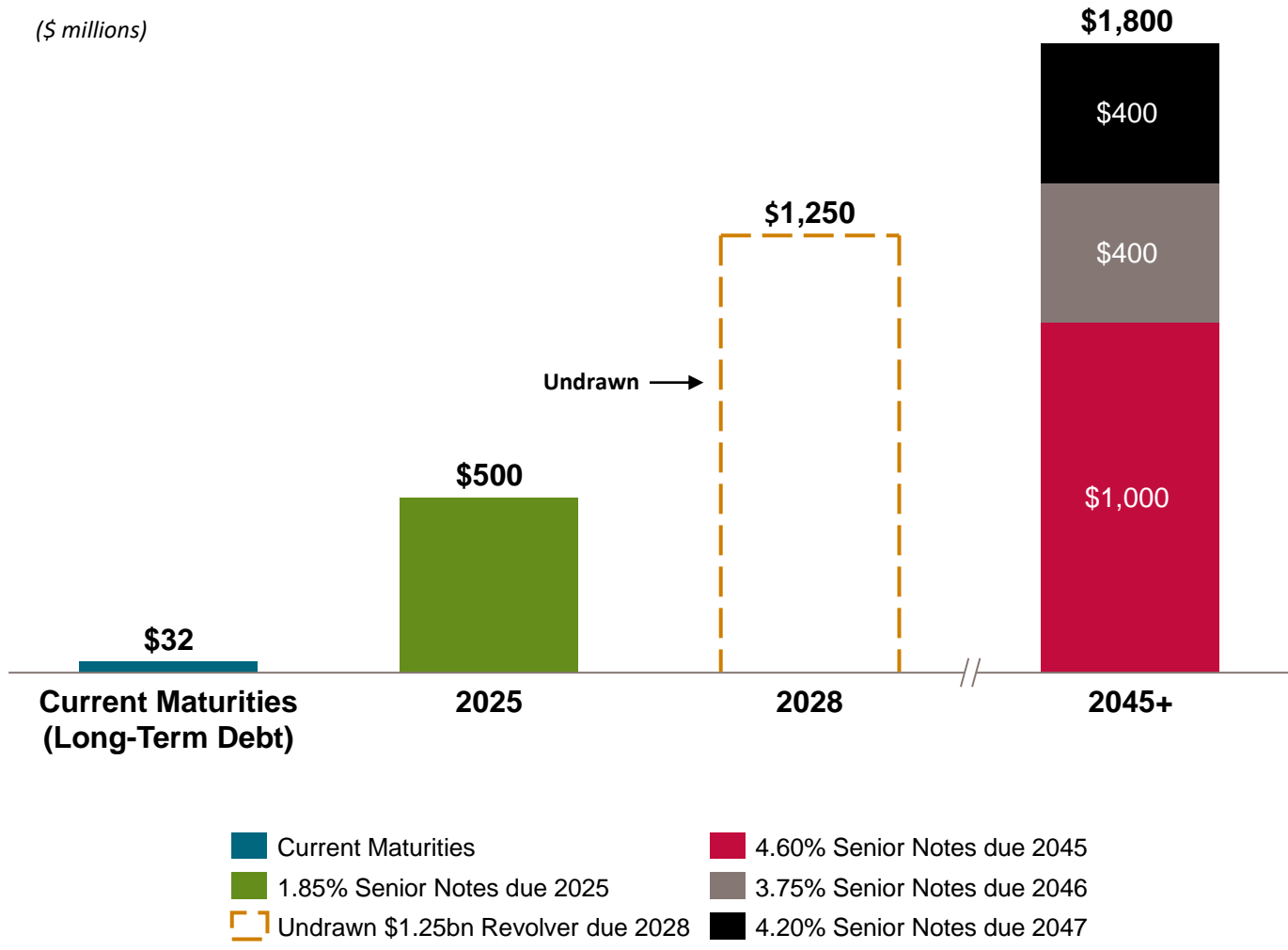
(2) Includes only share repurchases related to Grainger common stock.

(3) Based on U.S. selling days: 256 and 254 selling days in 2024 and 2023 respectfully.

(4) Reflects the divestiture of Grainger's subsidiary, E & R Industrial Sales, Inc., in the fourth quarter of 2023.

# Long-term Debt Maturity Schedule

The first material debt maturity is 2025 with majority of debt not due until 2045 and beyond



(1) In October 2023, the Company entered into a five-year unsecured revolving credit facility agreement (2023 Credit Facility) to obtain loans in various currencies on a revolving basis at the Company's discretion in an aggregate amount not exceeding \$1.25 billion, which may be increased up to \$1.875 billion.

# Non-GAAP Reconciliations



# Definitions & Calculations

## Basis of presentation:

The Company has a controlling ownership interest in MonotaRO, which is part of our Endless Assortment segment. MonotaRO's results are fully consolidated, reflected in U.S. GAAP, and reported one-month in arrears. Results will differ from MonotaRO's externally reported financials which follow Japanese GAAP.

## Non-GAAP financial measures:

The Company believes these non-GAAP financial measures provide meaningful information to assist investors in understanding financial results and assessing prospects for future performance as they provide a better baseline for analyzing the ongoing performance of its business by excluding items that may not be indicative of core operating results.

**"Adjusted gross profit", "adjusted SG&A", "adjusted operating earnings", "adjusted EBITDA", "adjusted net earnings", "adjusted EPS (diluted)"**— exclude certain non-recurring items, like restructuring charges, asset impairments, gains and losses associated with business divestitures and other non-recurring, infrequent or unusual gains and losses (together referred to as "non-GAAP adjustments"), from the Company's most directly comparable reported U.S. GAAP figures (reported gross profit, SG&A, operating earnings, net earnings and EPS). The Company believes these non-GAAP adjustments provide meaningful information to assist investors in understanding financial results and assessing prospects for future performance as they provide a better baseline for analyzing the ongoing performance of its business by excluding items that may not be indicative of core operating results.

**"Adjusted return on invested capital" (ROIC)** — is calculated using the Company's annualized adjusted operating earnings (defined above) divided by average net working assets for the period. Average net working assets is calculated using a two-point average for Q1, a three-point average for Q2, a four-point average for Q3 and a five-point average for Q4. Net working assets are working assets minus working liabilities and defined as follows: working assets equal total assets less cash equivalents, deferred and prepaid income taxes and operating lease right-of-use assets plus any LIFO reserves. Working liabilities are the sum of trade payables, accrued compensation and benefits, accrued contributions to employees' retirement savings plans and accrued expenses. The Company believes the presentation of adjusted ROIC provides useful information regarding how effectively the Company is using capital to generate financial returns.

**"Free cash flow" (FCF)** — is calculated using total cash provided by operating activities less capital expenditures. The Company believes the presentation of FCF allows investors to evaluate the capacity of the Company's operations to generate free cash flow.

**"Net leverage ratio"** — is calculated by dividing the Company's net debt (total debt outstanding less debt issuance costs less cash and cash equivalents) by adjusted EBITDA. Adjusted EBITDA is defined as EBITDA less the Company's non-GAAP adjustments for the last twelve months. The Company believes the presentation of its net debt to adjusted EBITDA ratio provides useful information regarding the Company's liquidity and leverage.

**"Daily sales"** — refers to net sales for the period divided by the number of U.S. selling days for the period.

**"Daily, constant currency sales"** — refers to the daily sales adjusted for changes in foreign currency exchange rates.

**"Daily, constant currency sales in local days"** — refers to daily sales adjusted for changes in foreign currency exchange rates and local selling days for the business unit.

**"Daily, organic sales"** — refers to daily sales excluding the net sales of certain divested businesses in the comparable prior year period post date of divestiture.

**"Daily, organic constant currency sales"** — refers to daily sales excluding the sales of certain divested businesses in the comparable prior year period post date of divestiture and changes in foreign currency exchange rates.

**"Daily, organic constant currency sales in local days"** — refers to daily sales excluding the net sales of certain divested businesses in the comparable prior year period post date of divestiture, changes in foreign currency exchange rates and local selling days for the business unit.

**"Foreign currency exchange"** — impact is calculated by dividing current period local currency daily sales by current period average exchange rate and subtracting the current period local currency daily sales divided by the prior period average exchange rate.

**"U.S. market outgrowth"** — a relative metric using HTS - U.S. daily, organic sales growth less estimated U.S. MRO market growth. U.S. MRO market growth is based on Company estimates using a compilation of IP - NAICS Manufacturing sub-index (volume component) and PPI – Final Demand, Private Capital sub-index (price component) as the primary inputs.

## U.S. selling days:

**2019:** Q1-63, Q2-64, Q3-64, Q4-64, FY-255

**2022:** Q1-64, Q2-64, Q3-64, Q4-63, FY-255

**2020:** Q1-64, Q2-64, Q3-64, Q4-64, FY-256

**2023:** Q1-64, Q2-64, Q3-63, Q4-63, FY-254

**2021:** Q1-63, Q2-64, Q3-64, Q4-63, FY-254

**2024:** Q1-64, Q2-64, Q3-64, Q4-64, FY-256

# GAAP to Non-GAAP Reconciliations

## Sales Growth

(percent change compared to the prior year period)  
(unaudited)

### Total Company

	2023	2022	2021	2020	2019
Reported sales	8.2%	16.9%	10.4%	2.7%	2.4%
Daily impact	0.4%	(0.4)%	0.9%	(0.4)%	—%
Daily sales <sup>(1)</sup>	8.6%	16.5%	11.3%	2.3%	2.4%
Business divestiture <sup>(2)</sup>	—%	—%	1.4%	1.3%	—%
Foreign currency exchange <sup>(3)</sup>	0.9%	2.8%	(0.3)%	(0.1)%	0.3%
Daily, organic constant currency sales	9.5%	19.3%	12.4%	3.5%	2.7%

### High-Touch Solutions - N.A.

	2023	2022	2021	2020	2019
Reported sales	8.9%	19.6%	10.5%	2.0%	0.6%
Daily impact	0.4%	(0.5)%	0.8%	(0.3)%	—%
Daily sales <sup>(1)</sup>	9.3%	19.1%	11.3%	1.7%	0.6%
Business divestiture <sup>(2)</sup>	0.1%	—%	—%	—%	—%
Foreign currency exchange <sup>(3)</sup>	—%	0.2%	(0.5)%	0.2%	0.2%
Daily, organic constant currency sales	9.4%	19.3%	10.8%	1.9%	0.8%

### Endless Assortment (EA)

	2023	2022	2021	2020	2019
Reported sales	4.7%	8.2%	18.3%	18.7%	19.1%
Daily impact	0.4%	(0.5)%	0.9%	(0.5)%	—%
Daily sales <sup>(1)</sup>	5.1%	7.7%	19.2%	18.2%	19.1%
Foreign currency exchange <sup>(3)</sup>	5.3%	12.4%	1.3%	(1.6)%	(1.9)%
Daily, organic constant currency sales	10.4%	20.1%	20.5%	16.6%	17.2%

Note: For more information on the Company's use of non-GAAP measures in this presentation, please see the appendix *Definitions and Calculations*.

(1) In 2023 and the four preceding years, there were 254, 255, 254, 256 and 255 selling days, respectively.

(2) Reflects the divestiture of Grainger's subsidiaries, E & R Industrial Sales, Inc. (Q4 2023), Grainger China (Q3 2020) and Fabory (Q2 2020).

(3) Excludes the impact on total sales due to year-over-year foreign currency exchange rate fluctuations.

# GAAP to Non-GAAP Reconciliations

## Adjusted Operating Margin

(in millions, except for percentage data)  
(unaudited)

### Total Company<sup>(1)</sup>

	2023	2022	2021	2020	2019
<b>Reported operating earnings</b>	<b>2,565</b>	<b>2,215</b>	<b>1,547</b>	<b>1,019</b>	<b>1,262</b>
Restructuring	—	—	—	27	6
Fabory impairment (Other)	—	—	—	177	—
Cromwell impairment (Other)	—	—	—	—	120
E&R divestiture (HTS - N.A.)	26	—	—	—	—
Cromwell's subsidiary divestiture (Other)	—	(21)	—	—	—
Fabory divestiture (Other)	—	—	—	109	—
Grainger China divestiture (Other)	—	—	—	(5)	—
<b>Adjusted operating earnings</b>	<b>\$ 2,591</b>	<b>\$ 2,194</b>	<b>\$ 1,547</b>	<b>\$ 1,327</b>	<b>\$ 1,388</b>
<b>Reported Sales</b>	<b>\$ 16,478</b>	<b>\$ 15,228</b>	<b>\$ 13,022</b>	<b>\$ 11,797</b>	<b>\$ 11,486</b>
<b>Adjusted operating margin</b>	<b>15.7 %</b>	<b>14.4 %</b>	<b>11.9 %</b>	<b>11.2 %</b>	<b>12.1 %</b>

### High-Touch Solutions - N.A.

	2023	2022	2021	2020	2019
<b>Reported operating earnings</b>	<b>2,334</b>	<b>1,983</b>	<b>1,334</b>	<b>1,182</b>	<b>1,278</b>
Restructuring	—	—	—	18	4
E&R divestiture	26	—	—	—	—
<b>Adjusted operating earnings</b>	<b>\$ 2,360</b>	<b>\$ 1,983</b>	<b>\$ 1,334</b>	<b>\$ 1,200</b>	<b>\$ 1,282</b>
<b>Reported Sales</b>	<b>\$ 13,267</b>	<b>\$ 12,182</b>	<b>\$ 10,186</b>	<b>\$ 9,221</b>	<b>\$ 9,036</b>
<b>Adjusted operating margin</b>	<b>17.8 %</b>	<b>16.3 %</b>	<b>13.1 %</b>	<b>13.0 %</b>	<b>14.2 %</b>

### Endless Assortment (EA)

	2023	2022	2021	2020	2019
<b>Reported operating earnings</b>	<b>233</b>	<b>223</b>	<b>232</b>	<b>166</b>	<b>122</b>
Restructuring	—	—	—	9	—
<b>Adjusted operating earnings</b>	<b>\$ 233</b>	<b>\$ 223</b>	<b>\$ 232</b>	<b>\$ 175</b>	<b>\$ 122</b>
<b>Reported Sales</b>	<b>\$ 2,916</b>	<b>\$ 2,787</b>	<b>\$ 2,576</b>	<b>\$ 2,178</b>	<b>\$ 1,836</b>
<b>Adjusted operating margin</b>	<b>8.0 %</b>	<b>8.0 %</b>	<b>9.0 %</b>	<b>8.0 %</b>	<b>6.6 %</b>

Note: All adjustments to reported results apply to SG&A costs, unless otherwise noted. Business divestiture adjustments above reflect the loss (gain) on the divestiture of E & R Industrial Sales, Inc. (E&R) (Q4 2023), Cromwell's enterprise software business (Cromwell's subsidiary) (Q4 2022), Grainger China (Q3 2020) and Fabory (Q2 2020). For further detail on Grainger's restructuring and impairment charges recorded in 2020 and 2019, refer to Grainger's 2020 Form 10-K filed on February 24, 2021.

(1) Total Company includes Grainger's other businesses that do not meet the criteria of a reportable segment.

# GAAP to Non-GAAP Reconciliations

## Key Metrics & Adjusted ROIC

(in millions, except for share and percentage data)  
(unaudited)

### Adjusted EPS

	2023	2022	2021	2020	2019
<b>Diluted earnings per share reported</b>	<b>\$ 36.23</b>	<b>\$ 30.06</b>	<b>\$ 19.84</b>	<b>\$ 12.82</b>	<b>\$ 15.32</b>
Restructuring	—	—	—	0.49	0.11
Impairment charges	—	—	—	3.26	2.15
Business divestiture	0.52	(0.40)	—	1.93	—
Total pretax earnings adjustments <sup>(1)</sup>	0.52	(0.40)	—	5.68	2.26
Tax benefit <sup>(2)</sup>	(0.08)	—	—	(2.32)	(0.29)
Total earnings adjustments, net of tax	0.44	(0.40)	—	3.36	1.97
<b>Diluted earnings per share adjusted</b>	<b>\$ 36.67</b>	<b>\$ 29.66</b>	<b>\$ 19.84</b>	<b>\$ 16.18</b>	<b>\$ 17.29</b>

### Free Cash Flow

	2023	2022	2021	2020	2019
Cash flows from operating activities	\$ 2,031	\$ 1,333	\$ 937	\$ 1,123	\$ 1,042
Capital expenditures	(445)	(256)	(255)	(197)	(221)
<b>Free cash flow</b>	<b>\$ 1,586</b>	<b>\$ 1,077</b>	<b>\$ 682</b>	<b>\$ 926</b>	<b>\$ 821</b>

### Adjusted ROIC

2023	Adjusted operating earnings <sup>(1)</sup>					
		Q4'23	Q3'23	Q2'23	Q1'23	Q4'22
	\$ 2,591					
Total assets	\$ 8,147	\$ 8,140	\$ 8,031	\$ 7,825	\$ 7,588	
Cash equivalents	(473)	(494)	(388)	(338)	(208)	
Deferred and prepaid income taxes	(19)	(25)	(28)	(11)	(20)	
Right-of-use assets	(429)	(413)	(428)	(386)	(367)	
LIFO reserves	770	773	758	724	693	
Working liabilities <sup>(3)</sup>	(1,761)	(1,850)	(1,864)	(1,751)	(1,923)	
Net working assets	\$ 6,235	\$ 6,131	\$ 6,081	\$ 6,063	\$ 5,763	
Average net working assets	\$ 6,055					
Adjusted ROIC	42.8 %					

All adjustments to reported results apply to SG&A costs, unless otherwise noted.

(1) See slide 40 for segment impact and a description of Grainger's pretax earnings adjustments. See slide 40 for a reconciliation of adjusted operating earnings to its directly comparable GAAP measure.

(2) Reflects one-time tax benefits recognized upon the divestiture of certain businesses recorded in the respective period of divestiture as noted above.

(3) Defined as sum of trade accounts payables, accrued compensation and benefits, accrued contributions to employee retirement savings plans and accrued expenses.

# GAAP to Non-GAAP Reconciliations

## Adjusted ROIC

(in millions, except for percentage data)  
(unaudited)

2022	Adjusted operating earnings <sup>(1)</sup>					\$ 2,194
	Q4'22	Q3'22	Q2'22	Q1'22	Q4'21	
Total assets	\$ 7,588	\$ 7,201	\$ 7,049	\$ 6,993	\$ 6,592	
Cash equivalents	(208)	(259)	(184)	(217)	(95)	
Deferred and prepaid income taxes	(20)	(29)	(31)	(14)	(46)	
Right-of-use assets	(367)	(360)	(337)	(361)	(393)	
LIFO reserves	693	647	606	547	510	
Working liabilities <sup>(2)</sup>	(1,923)	(1,744)	(1,703)	(1,650)	(1,490)	
Net working assets	\$ 5,763	\$ 5,456	\$ 5,400	\$ 5,298	\$ 5,078	
Average net working assets						\$ 5,399
Adjusted ROIC						40.6 %

2020	Adjusted operating earnings <sup>(1)</sup>					\$ 1,327
	Q4'20	Q3'20	Q2'20	Q1'20	Q4'19	
Total assets	\$ 6,295	\$ 6,583	\$ 7,194	\$ 7,177	\$ 6,005	
Cash equivalents	(322)	(621)	(1,368)	(1,271)	(144)	
Deferred and prepaid income taxes	(21)	(40)	(43)	(75)	(22)	
Right-of-use assets	(210)	(210)	(210)	(210)	(223)	
LIFO reserves	446	466	444	436	426	
Working liabilities <sup>(2)</sup>	(1,391)	(1,409)	(1,327)	(1,443)	(1,350)	
Net working assets	\$ 4,797	\$ 4,769	\$ 4,690	\$ 4,614	\$ 4,692	
Average net working assets						\$ 4,712
Adjusted ROIC						28.2 %

2021	Adjusted operating earnings <sup>(1)</sup>					\$ 1,547
	Q4'21	Q3'21	Q2'21	Q1'21	Q4'20	
Total assets	\$ 6,592	\$ 6,390	\$ 6,462	\$ 6,333	\$ 6,295	
Cash equivalents	(95)	(161)	(377)	(387)	(322)	
Deferred and prepaid income taxes	(46)	(46)	(61)	(14)	(21)	
Right-of-use assets	(393)	(202)	(209)	(210)	(210)	
LIFO reserves	510	458	450	446	446	
Working liabilities <sup>(2)</sup>	(1,490)	(1,528)	(1,560)	(1,436)	(1,391)	
Net working assets	\$ 5,078	\$ 4,911	\$ 4,705	\$ 4,732	\$ 4,797	
Average net working assets						\$ 4,845
Adjusted ROIC						31.9 %

2019	Adjusted operating earnings <sup>(1)</sup>					\$ 1,388
	Q4'19	Q3'19	Q2'19	Q1'19	Q4'18	
Total assets	\$ 6,005	\$ 5,922	\$ 5,992	\$ 6,014	\$ 5,873	
Cash equivalents	(144)	(89)	(80)	(150)	(288)	
Deferred and prepaid income taxes	(22)	(22)	(24)	(20)	(22)	
Investments in unconsolidated entities	—	—	—	—	(2)	
Right-of-use assets	(223)	(207)	(200)	(188)	—	
LIFO reserves	426	425	419	405	394	
Working liabilities <sup>(2)</sup>	(1,350)	(1,290)	(1,297)	(1,238)	(1,342)	
Net working assets	\$ 4,692	\$ 4,739	\$ 4,810	\$ 4,823	\$ 4,613	
Average net working assets						\$ 4,735
Adjusted ROIC						29.3 %

Note: For more information on the Company's use of non-GAAP measures in this presentation, please see the appendix *Definitions and Calculations*.

(1) See slide 40 for a reconciliation of adjusted operating earnings to its directly comparable GAAP measure.

(2) Defined as sum of trade accounts payables, accrued compensation and benefits, accrued contributions to employee retirement savings plans and accrued expenses

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