



NYSE: GWW

Investor Presentation

Updated March 2025



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," "predict," "project," "will," "continue," "commit," "target," "guidance," "deliver," or "beyond" 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; 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 and artificial intelligence; 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 existing, new, or increased tariffs, trade issues and changes in trade policies, inflation, and interest rates; 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; effects of outbreaks of pandemic disease or viral contagions, global conflicts, 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 24 – 25 & 34). 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[®]



Grainger is a leading broad line distributor with operations primarily in North America, Japan and the United Kingdom. We Keep the World Working® by serving customers worldwide with MRO products⁽¹⁾ delivered through innovative technology and deep customer relationships.

1927

Company founded

Largest

MRO distributor in North America

53 years

of consecutive dividend increases



>4.5M

Active customers

>26K

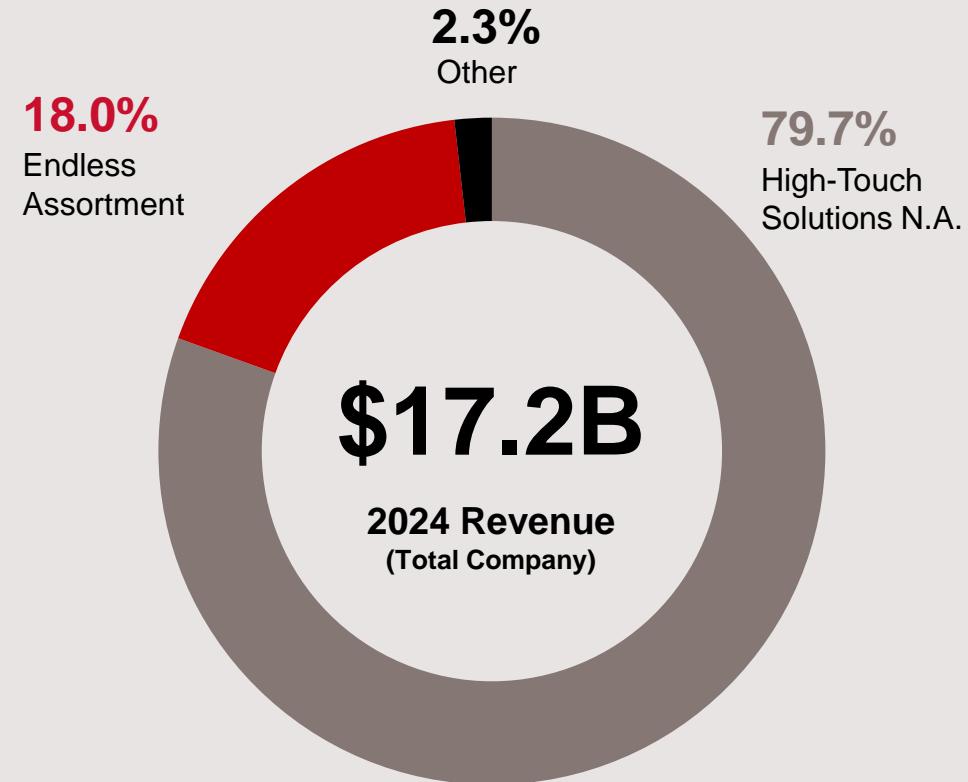
Team members

>30M

Products offered globally

34

Distribution centers



Note: All metrics are for the year ended December 31, 2024, unless otherwise noted.

(1) Material, Repair and Operating products.

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



Small customers with low complexity



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

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

Our two go-to-market models serve these varied customer 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, U.S.



Each segment has a unique delivery model ...

High-Touch Solutions N.A.

Relationships



Sales & Service Representatives



Digital

More than 4,000 sales representatives coupled with digital solutions to help drive deep customer relationships

Origination⁽¹⁾



Website

36% of orders
Curated product information and search

Digital Channels



EDI/ePro

24% of orders
Integrated software in customer's purchasing process



KeepStock®

18% of orders
Vending and inventory management

Physical Channels



Phone

14% of orders
Strong technical knowledge across a wide range of product categories



Branch

8% of orders
Strong technical knowledge across a wide range of product categories

Fulfillment⁽¹⁾



Distribution Centers (DCs)

69% of orders



KeepStock®

18% of orders

Physical Pickup



Branch

13% of orders

Footprint

United States⁽²⁾

- 314 Branches
- 21 DCs

Canada

- 32 Branches
- 5 DCs

Mexico

- 15 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 + 3rd Party Partners

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

Footprint



Japan (primarily)

- >24M available SKU's
- 4 DCs

MonotaRO Background

- Started in 2000 as a JV between Grainger and Sumitomo
- GWW owns ~51% stake
- Publicly traded in Japan (TSE: 3064); Market Cap ~\$8.5B

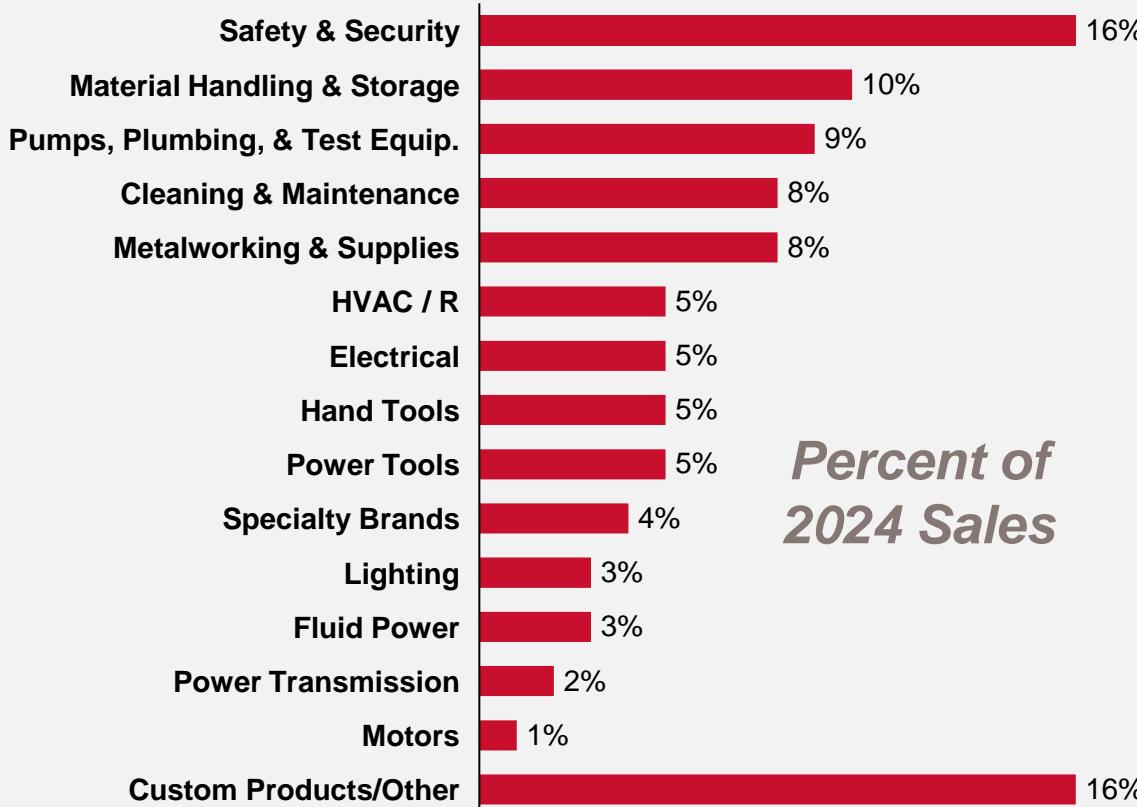


United States (primarily)

- >14M available SKU's
- Leverages High-Touch Solutions - U.S. distribution centers

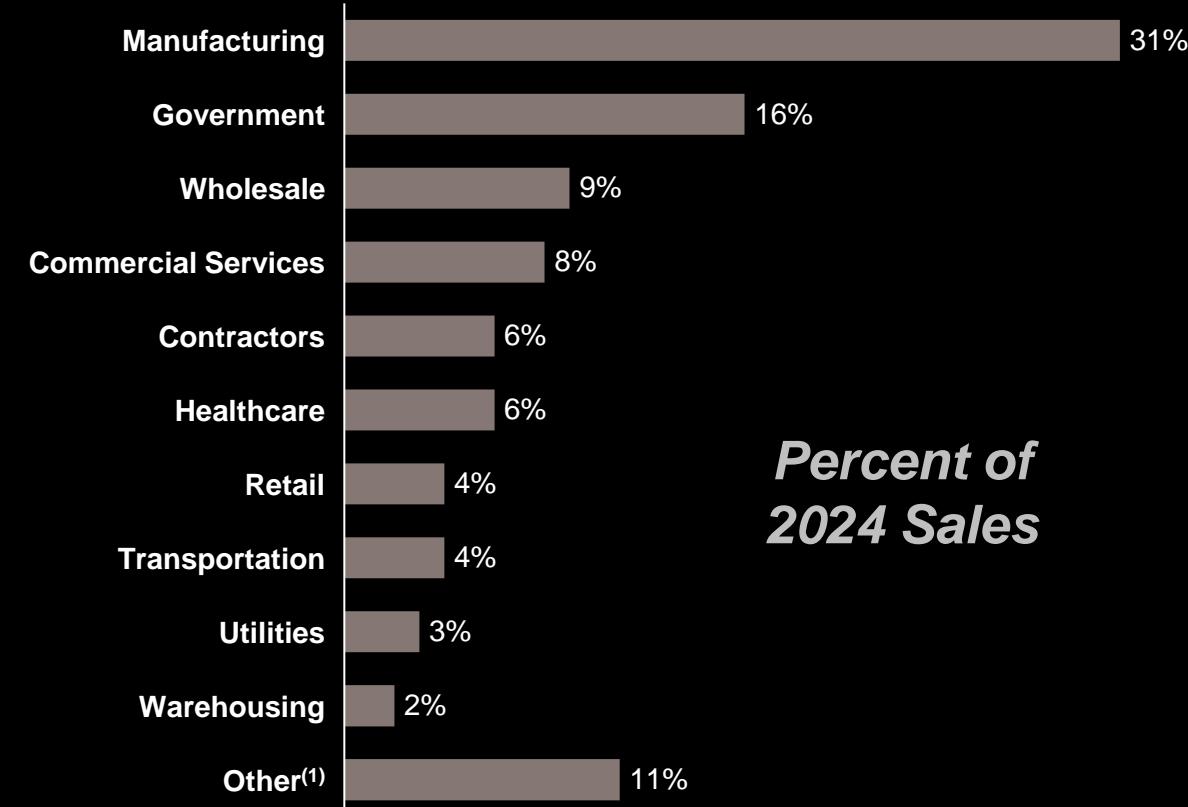
... connecting a broad assortment of MRO products to a diversified customer base

Total Company Product Assortment



*Percent of
2024 Sales*

Total Company Customer End-Markets



*Percent of
2024 Sales*

Updated for typo on 3/28/25



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 advantage

3

Advantaged supply chain furthering competitive position

4

Strong financial position supporting growth and disciplined return of capital

5

Strong company culture focused on what matters



Competing in large, fragmented market ...

High-Touch Solutions N.A.

Largest MRO player with only ~7% share



Endless Assortment

Expanding TAM with SKU additions



Industry pioneer in Japan

Total Japan B2B Supply Market
(Direct + Indirect)
~ **\$450B**



... 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 value-added solutions
- ✓ Industry-leading fulfillment

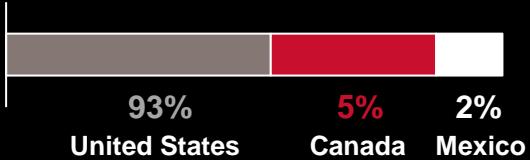
Performance

(2024)

\$13.7B
Revenue

17.5%
Operating Margin

Revenue Mix



~2.0M

AVAILABLE SKUS

>4k

SALES TEAM MEMBERS

>75%

REVENUE THROUGH DIGITAL CHANNELS⁽¹⁾

Note: All metrics are for the year ended December 31, 2024, 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® for the High-Touch Solutions - U.S. business.

... enabled by data and technology advantage

Millions of products



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

>1.1M Customers



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

Significant amounts of complex data ...

Product Information Management System



- ✓ Allowing us to organize and curate our assortment

Customer Information Management System



- ✓ Capturing deep customer knowledge

... harnessed through a multi-year investment in home-grown technology and data systems ...

Initiatives

Advancing Strategic 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	Seller Coverage Leveraging data and technology tools to better inform seller additions	Seller Effectiveness Equipping our sales and services teams with the right resources to improve sales motions	Customer Solutions Deepening customer relationships via a suite of value-added customer solutions

Furthering AI / ML Tools & Capabilities

Examples (1)

✓ Search optimization	✓ KeepStock install tool
✓ Product recommendations	✓ Inventory optimization model
✓ Fraud detection	✓ Seller insights platform
✓ Call center digital assistant	

... enabling build-out of advanced capabilities and unlocking continued growth

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

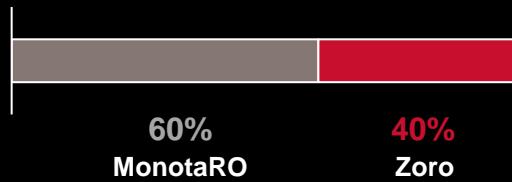
Performance

(2024)

\$3.1B
Revenue

8.3%
Operating Margin

Revenue Mix



~16M

REGISTERED
USERS⁽¹⁾

>14M

AVAILABLE SKUs -
ZORO

>24M

AVAILABLE SKUs -
MONOTARO

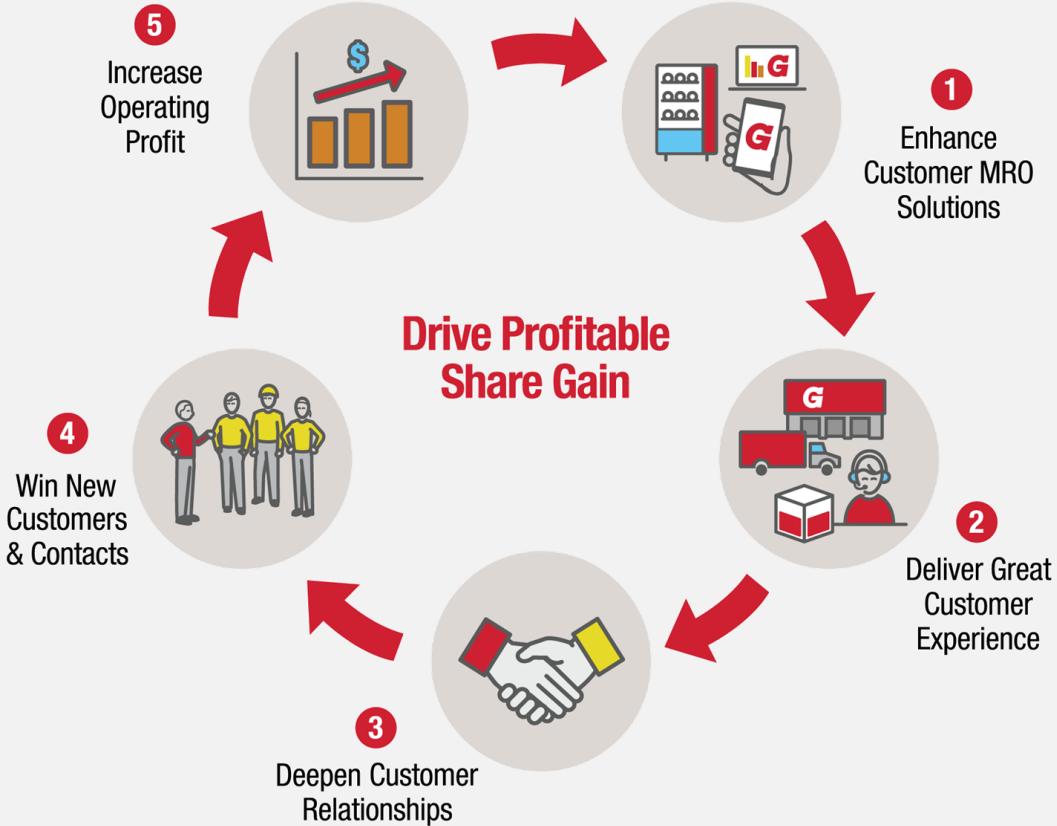
Note: All metrics are for the year ended December 31, 2024, unless otherwise noted. All financial results are represented on an adjusted basis. See appendix for a reconciliation of any non-GAAP measures.

(1) Includes both Zoro U.S. and MonotaRO.

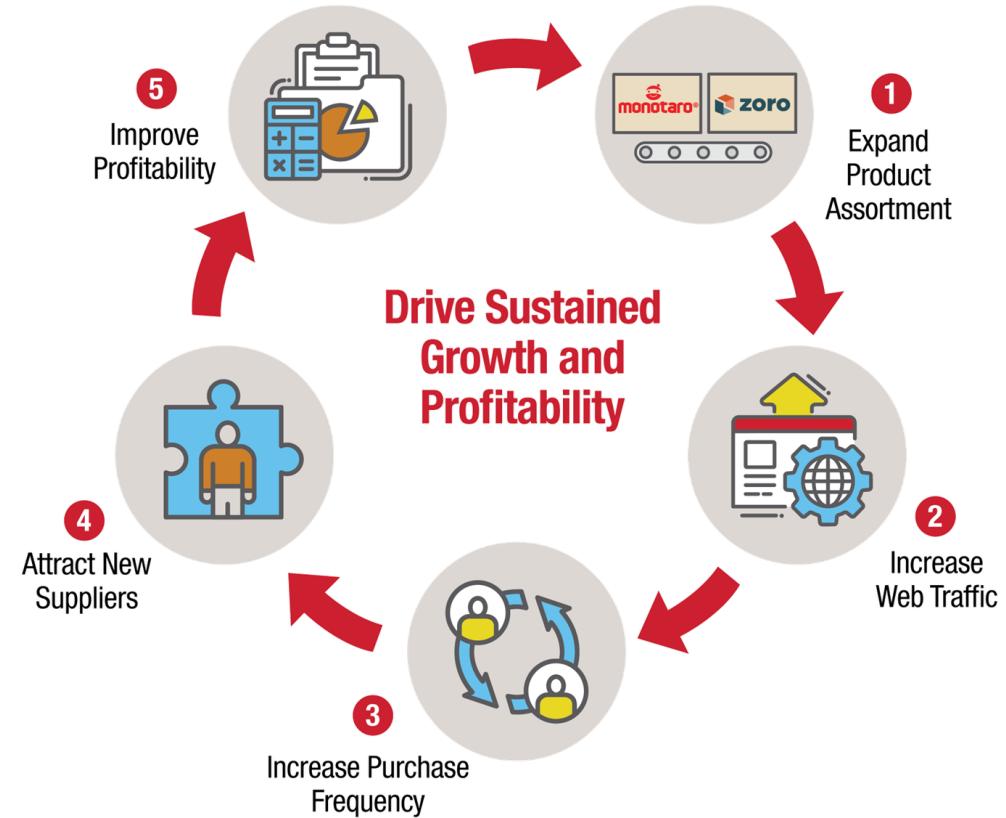
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Strong customer value proposition propels commercial flywheel across both segments

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; leveraging automation where possible

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

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

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



Outperforming peers in critical categories⁽¹⁾

- ✓ *Overall satisfaction*
- ✓ *Product availability*
- ✓ *Delivery experience*
- ✓ *Reliability*
- ✓ *Customer service*

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

Strong and flexible balance sheet

0.6x

NET LEVERAGE RATIO

- ✓ Majority of debt not due until 2034 and beyond
- ✓ Long-term net leverage target of ~1.0x

Credit
Ratings

A+
Stable
S&P

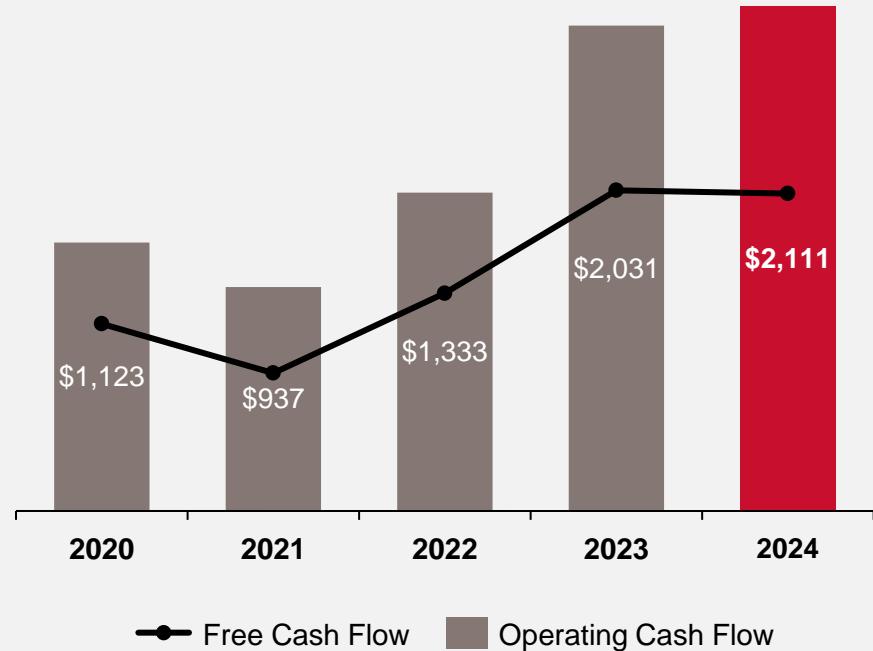
>\$2.2B

AVAILABLE LIQUIDITY
(Cash + Undrawn Revolving Credit Facility)

A2
Positive
Moody's

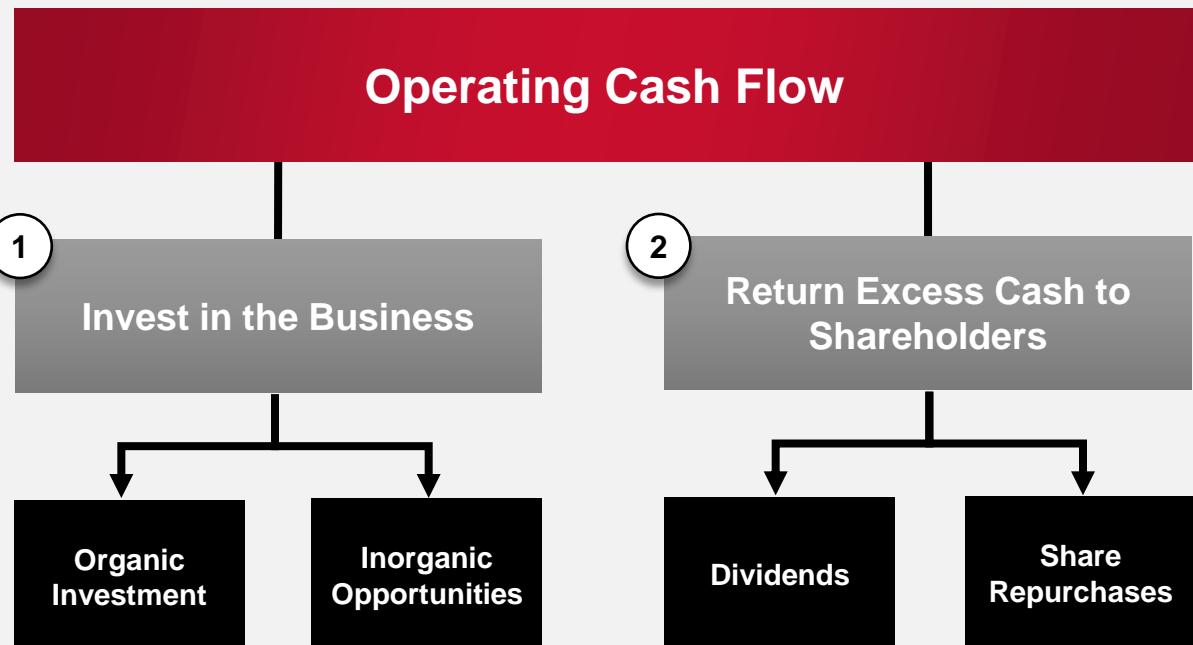
Durable cash flows & low capital intensity

(\$ millions)



Consistent, return-driven approach to capital allocation

Capital allocation priorities

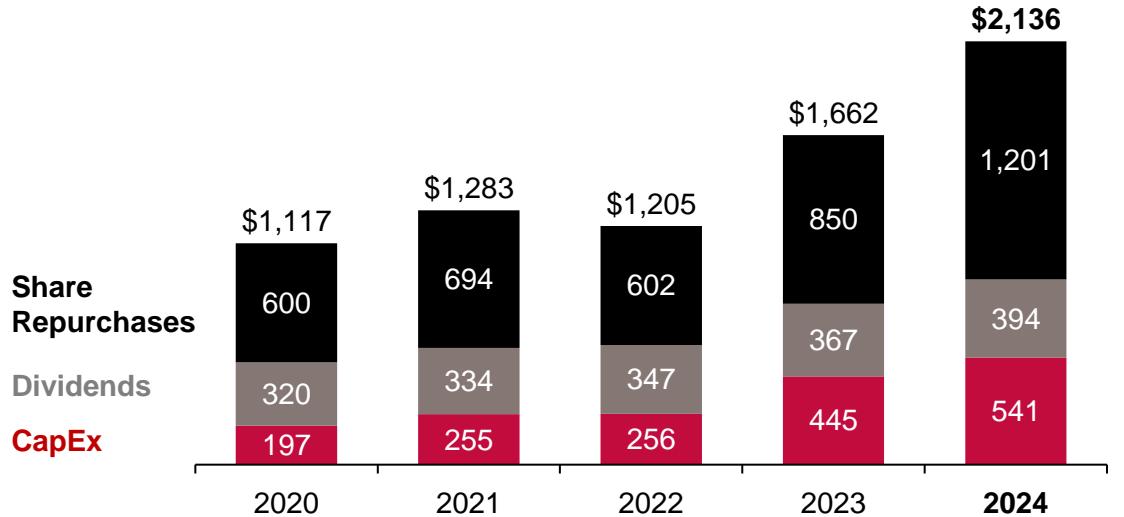


Continued investment to support growth

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

Historical use of cash⁽¹⁾

(\$ millions)



53 years

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

>\$3.9B

total share repurchases over the last 5+ years at \$585 weighted average price per share

41.6%

FY'24 adjusted return on invested capital

The Grainger Edge® helps foster an award-winning culture

Our Purpose

We Keep The World
Working®

-  Start with the **customer**
-  Embrace **curiosity**
-  Act with **intent**
-  Compete with **urgency**
-  Win as **one team**
-  Invest in our **success**
-  Do the **right thing**

Our Principles

THE AMERICAN
OPPORTUNITY
INDEX 2024
EMPLOYER OF CHOICE

2025 WORLD'S MOST
ETHICAL COMPANIES®
ETHISPHHERE™



Dow Jones
Best-in-Class
Indices



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Financial Performance & Outlook



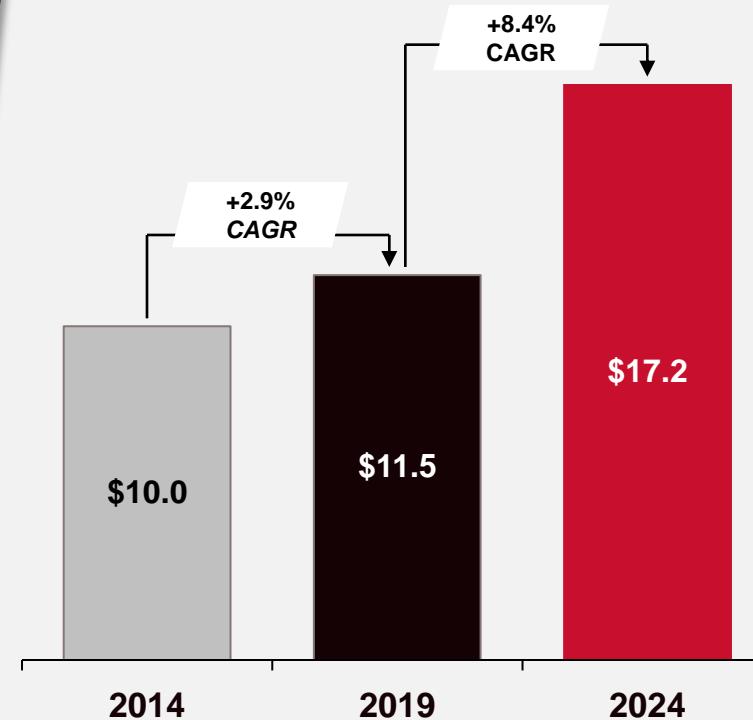
Accelerating growth & profitability by focusing on what matters

Achieving financial goals

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

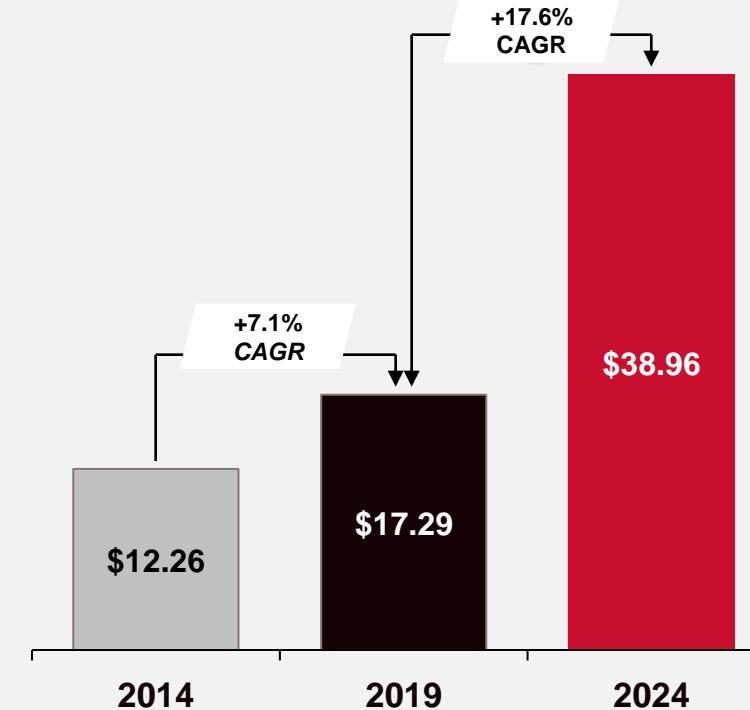
Sales

(\$ billions)



Adjusted EPS

+17.6%
CAGR



Expecting continued solid results in 2025

Full-Year 2025 Total Company Guidance

Note:

- Expect 2025 net interest headwind of ~\$20 million driving ~\$0.30 Y/Y EPS impact
- Normalization of effective tax rate to ~23.8% driving ~110bps Y/Y headwind to 2025 EPS growth rate

	2024A	2025 Guidance <small>(as of Jan 31, 2025)</small>	Y/Y change
Sales (\$ billions)	\$17.2	\$17.6 – \$18.1	2.7% to 5.2% <small>(4.0% to 6.5% daily, constant currency sales⁽¹⁾)</small>
Gross Profit Margin	39.4%	39.1% – 39.4%	(30) bps to Flat
Operating Margin	15.5%	15.1% – 15.5%	(40) bps to Flat
EPS (diluted)	\$38.96	\$39.00 – \$41.50	Flat to 6.5%

Note: Guidance provided on an adjusted basis. The Company does not reconcile forward-looking non-GAAP financial measures. Assumes corporate effective tax rate of ~23.8% and JPY / USD FX rate of 157.

(1) Based on U.S. selling days. There are 255 and 256 selling days in 2025 and 2024, respectively. See appendix for reconciliation of daily, constant currency sales growth to reported sales growth.

Long-term earnings framework outlines attractive return potential



(1) Volume outgrowth is measured as High-Touch Solutions - U.S. daily, organic sales growth excluding price/customer mix contribution, less estimated U.S. MRO market volume.

(2) At Total Company level.

(3) Assumes normal market conditions including U.S. MRO market volume CAGR of +1.0 - 2.0% and approximately +1.0% of annual price inflation. Corporate tax rate assumed at ~24%.

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

Appendix



Grainger's Leadership Team

Name	Title	Yrs. In Role (with GWW) ⁽¹⁾
 D.G. Macpherson	Chairman and Chief Executive Officer	8 years (17)
 Nancy Berardinelli-Krantz	SVP, Chief Legal Officer	2 years (2)
 Nadalie Bosse	Group VP, Customer Experience	1 year (9)
 Jay Feece	Chief Human Resources Officer (Interim)	<1 (3)
 Barry Greenhouse	SVP, Merchandising and Supplier Management	1 year (20)
 Anand Lal	Group VP, Supply Chain	1 year (9)
 Jonny LeRoy	SVP and Chief Technology Officer	5 years (5)
 Deidra Merriwether	SVP and Chief Financial Officer	4 years (11)
 Rob Reynolds	SVP, Branch and DC Operations	1 year (16)
 Paige Robbins	SVP and President, Grainger Business Unit	4 years (14)
 Masaya Suzuki	Managing Director, Endless Assortment Business	5 years (24)
 Brian Walker	SVP and Chief Product Officer	5 years (18)

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

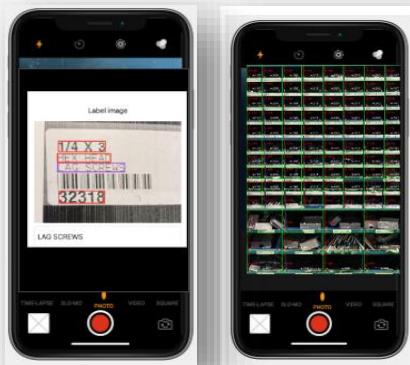
(1) Years of service rounded to the nearest whole year as of December 31, 2024.

Long runway to drive significant value across the business

KeepStock® Install Tool

COMPUTER VISION

Streamlining KeepStock® install process, increasing speed to revenue and reducing setup time



 meaningful reduction in data collection time

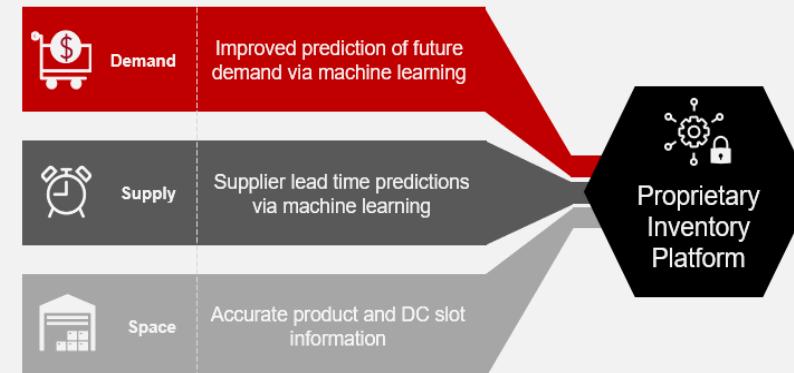
PROGRESS

Implemented

Inventory Optimization Model

MACHINE LEARNING

Optimizing SKU breadth and depth by market, driving increased revenue

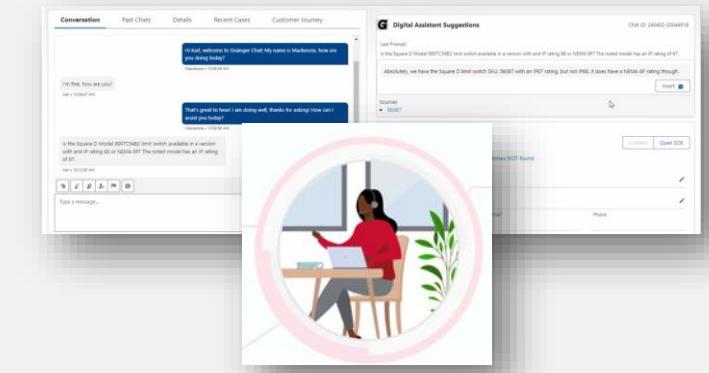


~250bps service level improvement⁽¹⁾

Call Center Assistant

GENERATIVE AI

Scaling customer service agents with fast and accurate insights, driving improved efficiency and effectiveness



 high agent adoption rate with improved customer outcomes

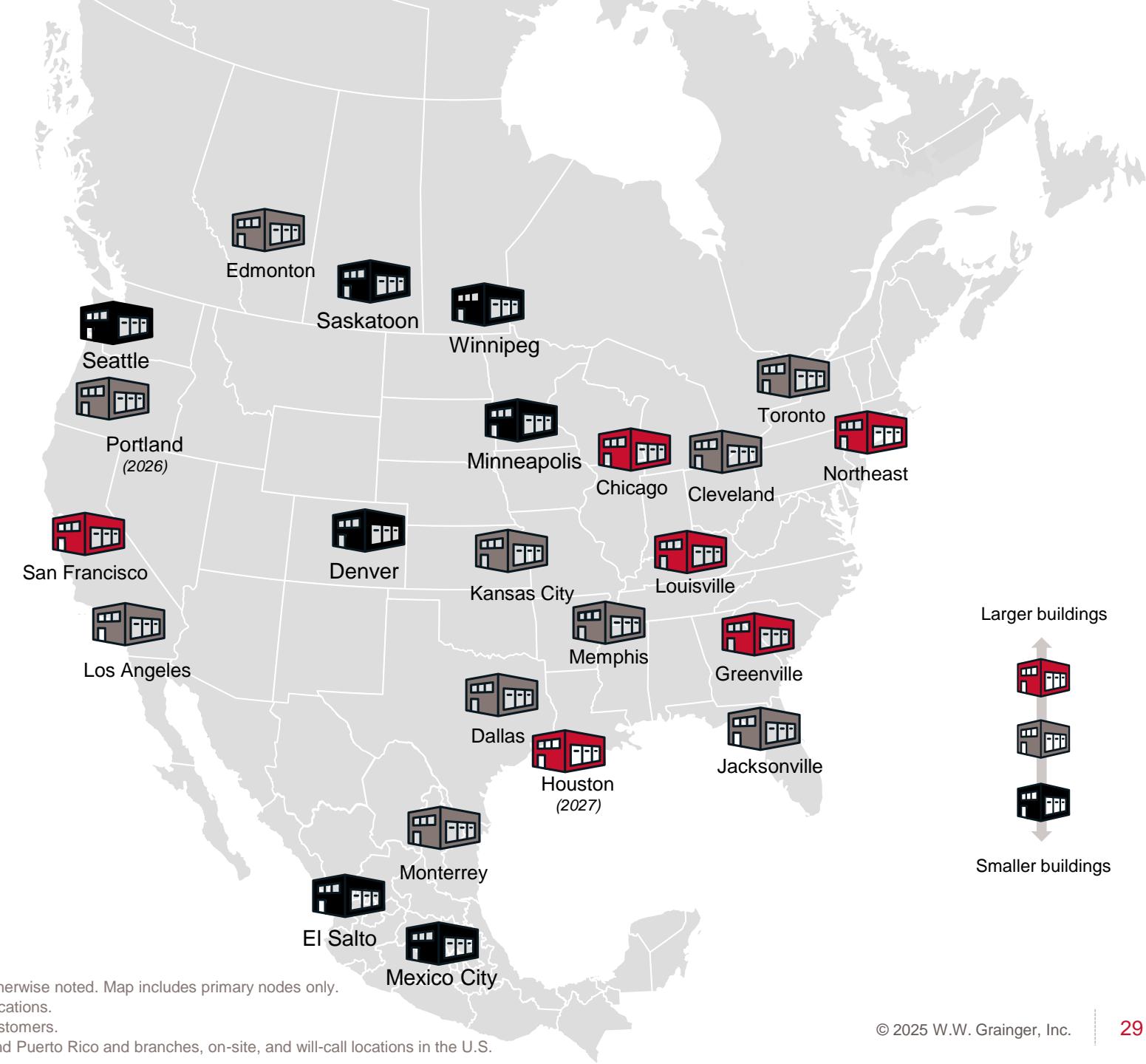
Piloting

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

99%
of the U.S. postal codes
reachable the next day ⁽¹⁾

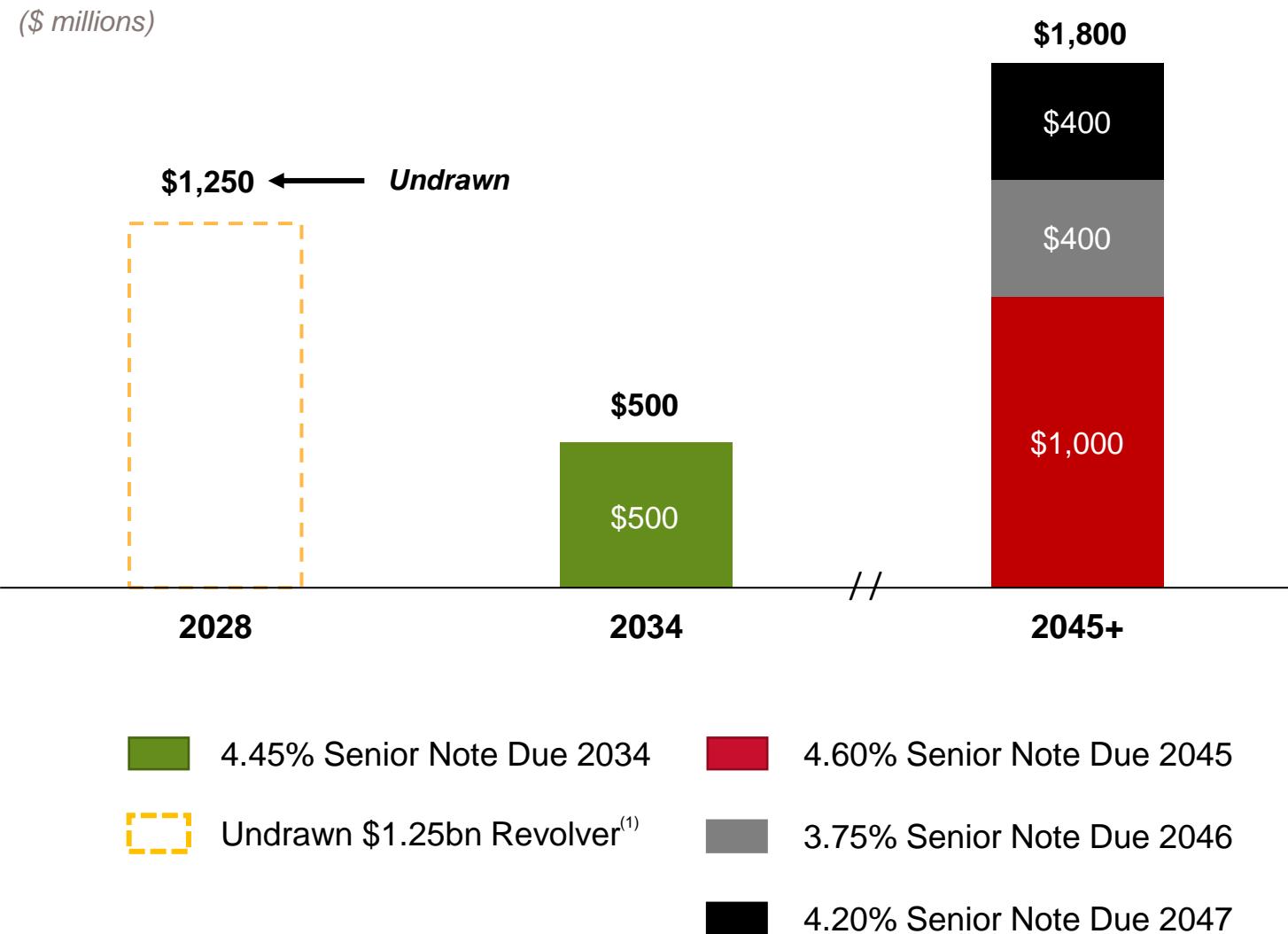
>80%
of Canadian postal codes
offered next day ⁽²⁾

364 Branches
for walk-in solutions ⁽³⁾



Debt Maturity Schedule

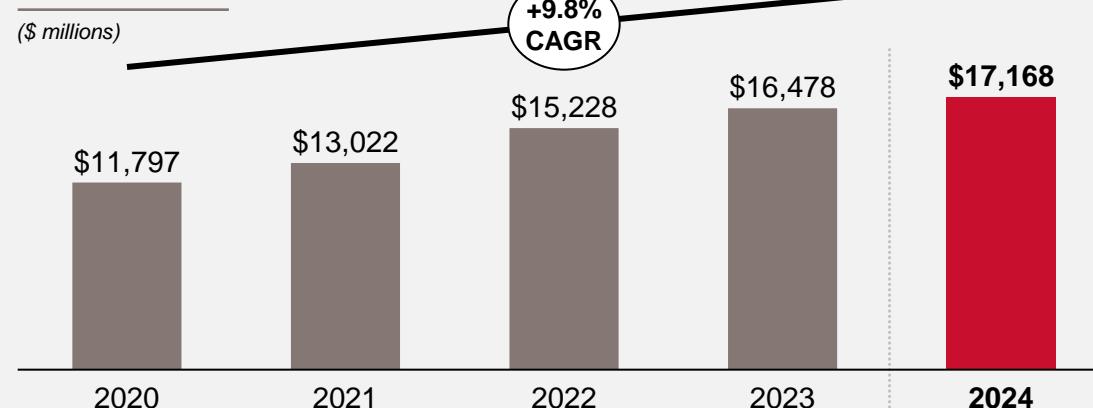
The first material debt maturity is 2034 with majority of debt not due until 2045 and beyond



(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.

Historical financial performance: Total Company

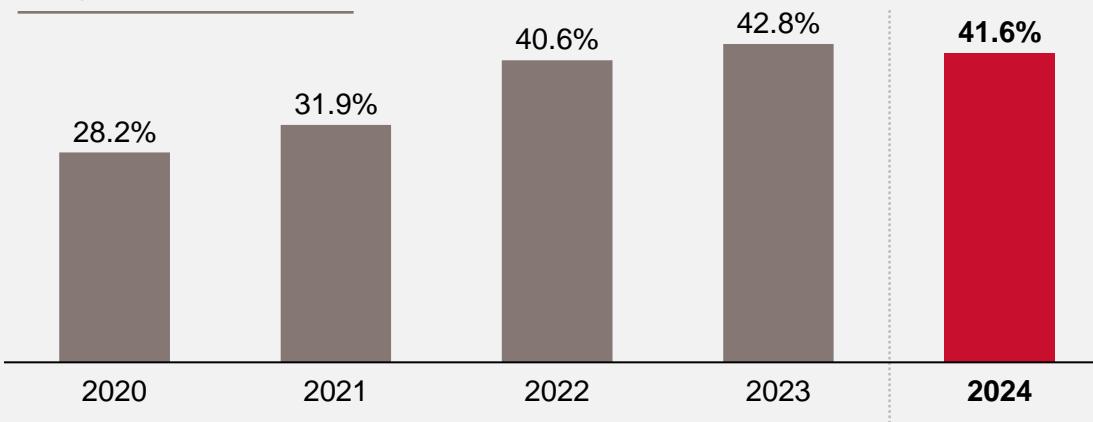
Revenue



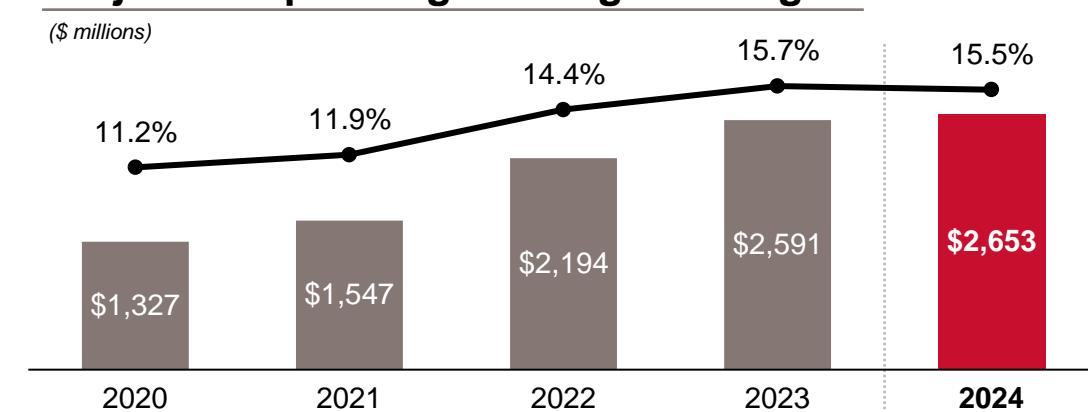
Daily, organic
constant
currency sales

3.5% 12.4% 19.3% 9.5% 4.7%

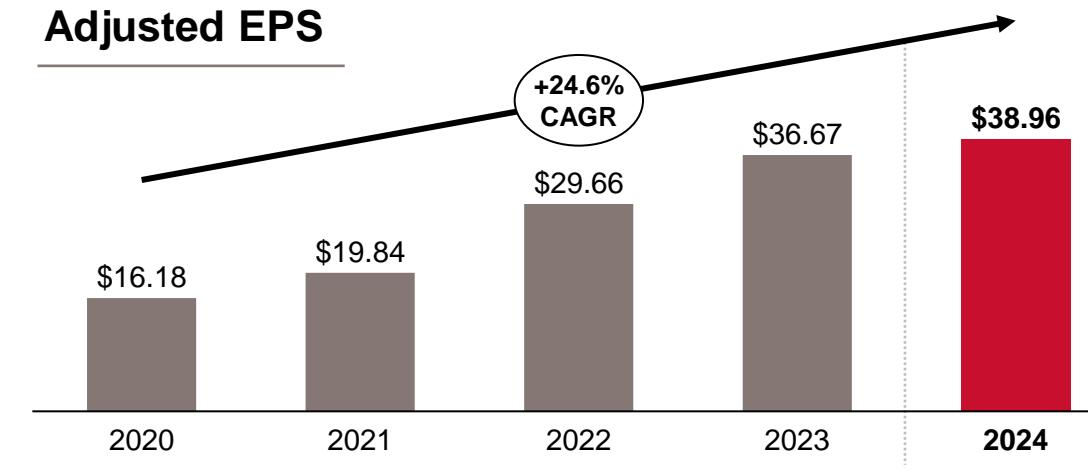
Adjusted ROIC



Adjusted Operating Earnings & Margin



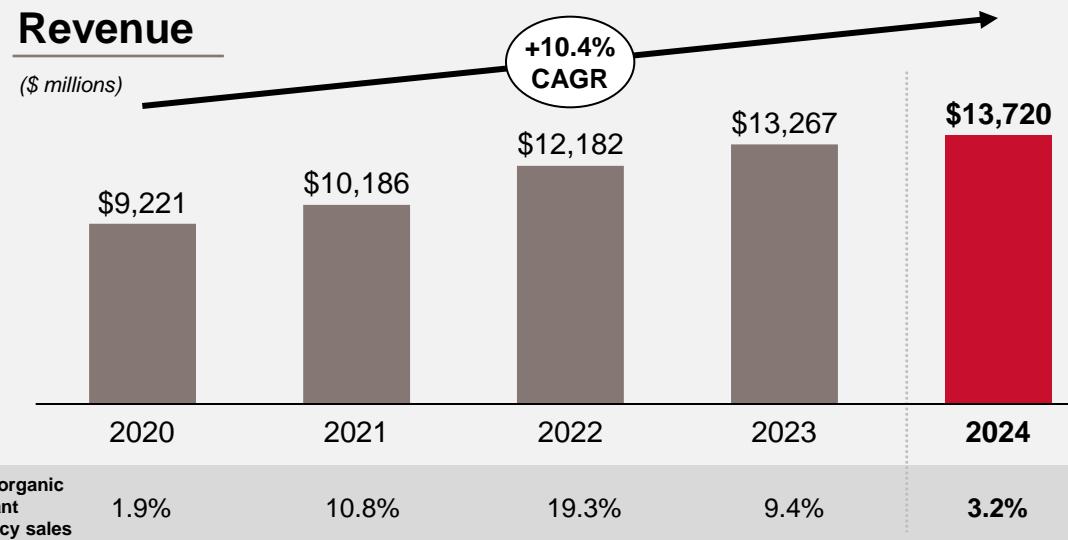
Adjusted EPS



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

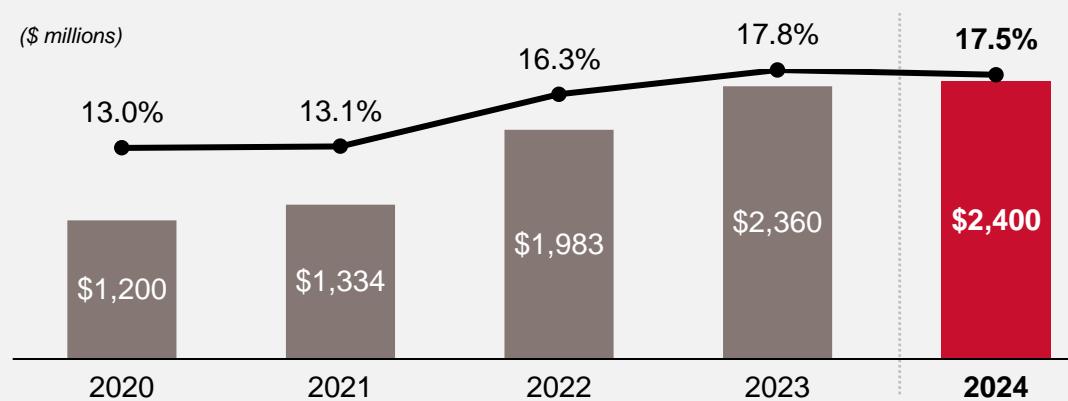
Revenue

(\$ millions)



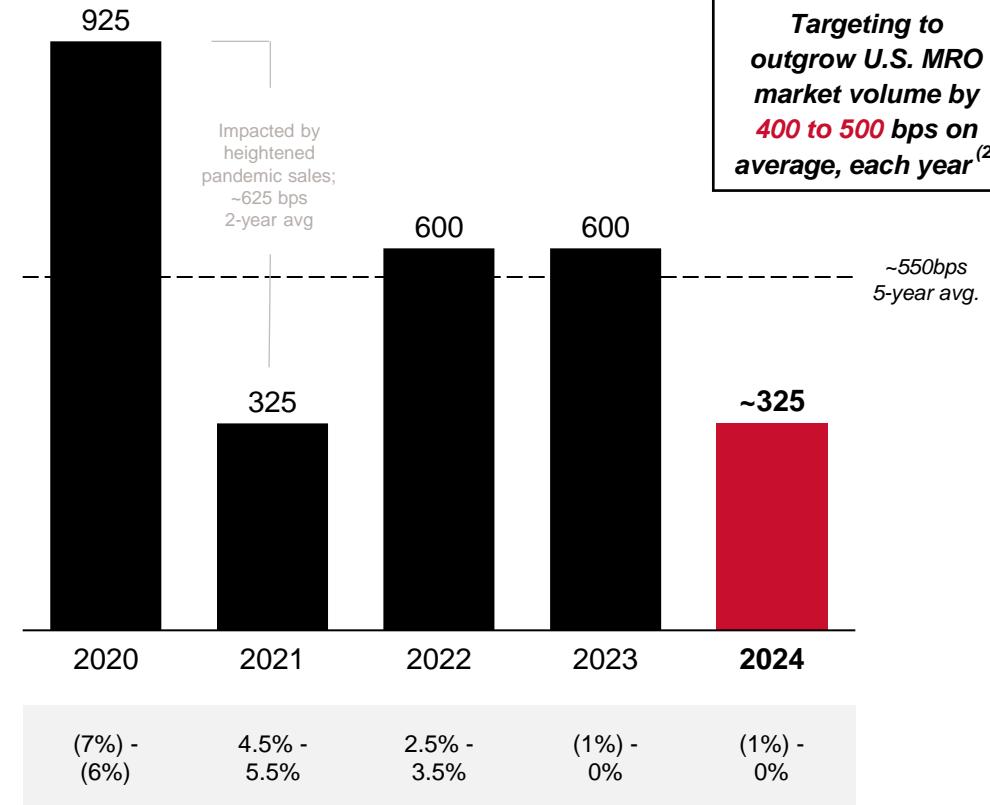
Adjusted Operating Earnings & Margin

(\$ millions)



Key Operating Metric

High-Touch Solutions - U.S. Volume Outgrowth⁽²⁾



Note: See appendix for a reconciliation of any Non-GAAP financial measures. Historical annual volume outgrowth figures have been recast to reflect volume only outgrowth and include revisions from the Federal Reserve Board as it relates to the IP - NAICS Manufacturing sub-index.

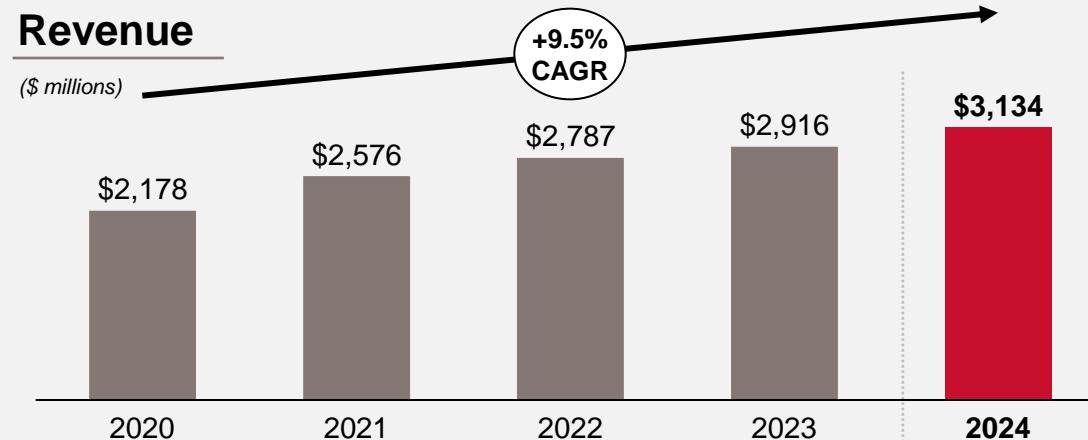
(1) U.S. MRO market volume uses IP - NAICS Manufacturing sub-index as the primary input.

(2) Volume outgrowth is measured as High-Touch Solutions - U.S. daily, organic sales growth excluding price/customer mix contribution, less estimated U.S. MRO market volume.

Historical financial performance: Endless Assortment

Revenue

(\$ millions)

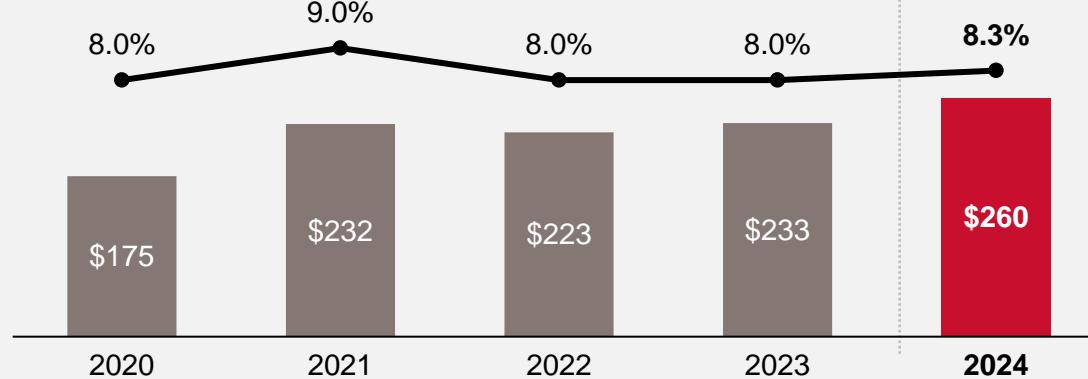


Daily, constant currency sales

16.6% 20.5% 20.1% 10.4% 11.6%

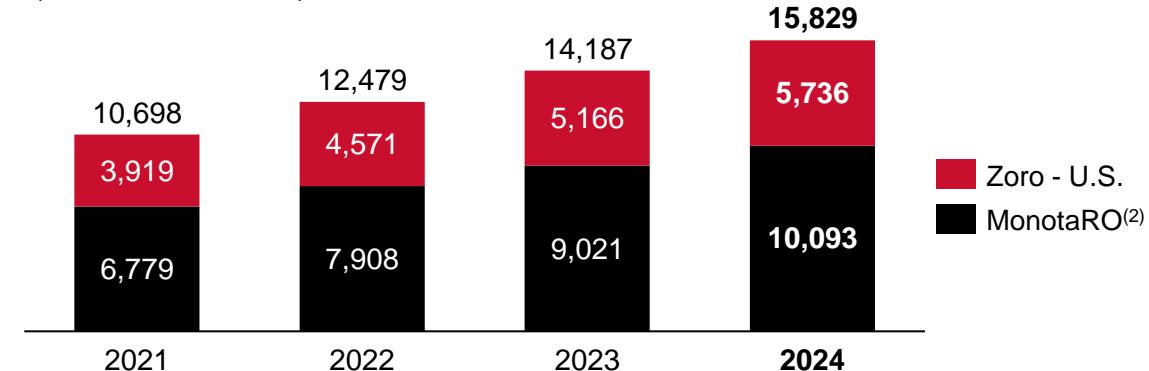
Adjusted Operating Earnings & Margin

(\$ millions)



Key Operating Metric – Registered Users⁽¹⁾

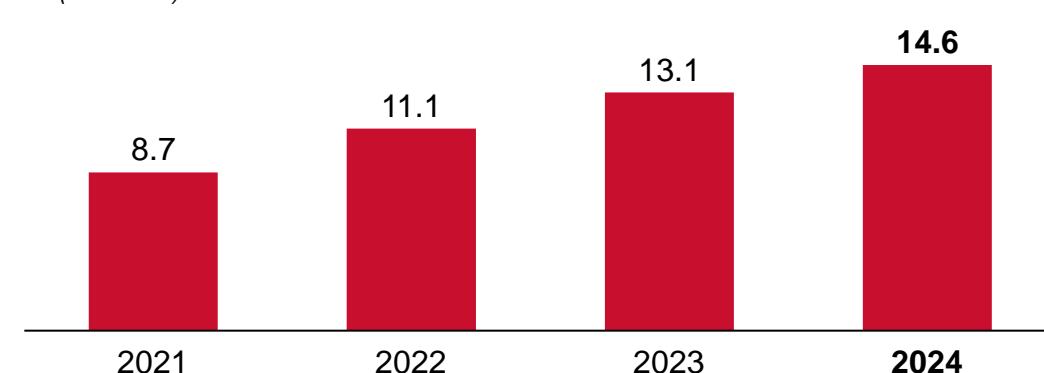
(user count in thousands)



Zoro - U.S.
MonotaRO⁽²⁾

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

(in millions)



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.

2025 Full Year Supplemental Guidance

Cash Flow Guidance		
(\$ millions)	2024A	2025 Guidance (as of Jan 31, 2025)
Operating Cash Flow	\$2,111	\$2,050 – \$2,250
Capital Expenditures⁽¹⁾	\$541	\$450 – \$550
Share Repurchases⁽²⁾	\$1,201	\$1,150 – \$1,250
Operating Margin (Adjusted)		
(\$ millions)	2024A	2025 Guidance (as of Jan 31, 2025)
HTS – N.A	17.5%	17.0% – 17.4%
Endless Assortment	8.3%	8.5% – 9.0%
Total Company	15.5%	15.1% – 15.5%

Sales Growth Guidance		
Total Company	2025 Guidance (as of Jan 31, 2025)	
	Low	High
Daily, Constant Currency Sales		
Daily Impact ⁽³⁾	4.0%	6.5%
Foreign Currency Exchange ⁽⁴⁾	-0.4%	-0.4%
Reported Sales	-0.9%	-0.9%
	2.7%	5.2%
High-Touch Solutions		
	2025 Guidance (as of Jan 31, 2025)	
	Low	High
Daily, Constant Currency Sales		
Daily Impact ⁽³⁾	2.5%	4.5%
Foreign Currency Exchange ⁽⁴⁾	-0.4%	-0.4%
Reported Sales	-0.4%	-0.4%
	1.7%	3.7%
Endless Assortment		
	2025 Guidance (as of Jan 31, 2025)	
	Low	High
Daily, Constant Currency Sales		
Daily Impact ⁽³⁾	11.0%	15.0%
Foreign Currency Exchange ⁽⁴⁾	-0.4%	-0.4%
Reported Sales	-2.9%	-2.9%
	7.7%	11.7%

Note: Guidance provided on an adjusted basis. Assumes corporate effective tax rate of ~23.8% and JPY / USD FX rate of 157. See appendix for a reconciliation of any non-GAAP financial measures. Numbers may not sum due to rounding.

(1) CapEx as reflected in the Statement of Cash Flows.

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

(3) Based on U.S. selling days: 255 and 256 selling days in 2025 and 2024, respectively.

(4) Excludes the impact of year-over-year foreign currency exchange rate fluctuations.



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 less current operating & finance lease liabilities. 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.

"Total 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.

"Volume outgrowth" — measured as High-Touch Solutions - U.S. daily, organic sales growth excluding price/customer mix contribution, less the estimated U.S. MRO market volume which uses IP - NAICS Manufacturing sub-index as its primary input.

U.S. selling days:

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

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

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

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

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

2025: Q1-63, Q2-64, Q3-64, Q4-64, FY-255

GAAP to Non-GAAP Reconciliations

Sales Growth

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

Total Company

	2024	2023	2022	2021	2020
Reported sales	4.2%	8.2%	16.9%	10.4%	2.7%
Daily impact	(0.8)%	0.4%	(0.4)%	0.9%	(0.4)%
Daily sales ⁽¹⁾	3.4%	8.6%	16.5%	11.3%	2.3%
Business divestiture ⁽²⁾	0.4%	—%	—%	1.4%	1.3%
Foreign currency exchange ⁽³⁾	0.9%	0.9%	2.8%	(0.3)%	(0.1)%
Daily, organic constant currency sales	4.7%	9.5%	19.3%	12.4%	3.5%

High-Touch Solutions N.A.

	2024	2023	2022	2021	2020
Reported sales	3.4%	8.9%	19.6%	10.5%	2.0%
Daily impact	(0.8)%	0.4%	(0.5)%	0.8%	(0.3)%
Daily sales ⁽¹⁾	2.6%	9.3%	19.1%	11.3%	1.7%
Business divestiture ⁽²⁾	0.5%	0.1%	—%	—%	—%
Foreign currency exchange ⁽³⁾	0.1%	—%	0.2%	(0.5)%	0.2%
Daily, organic constant currency sales	3.2%	9.4%	19.3%	10.8%	1.9%

Endless Assortment (EA)

	2024	2023	2022	2021	2020
Reported sales	7.5%	4.7%	8.2%	18.3%	18.7%
Daily impact	(0.9)%	0.4%	(0.5)%	0.9%	(0.5)%
Daily sales ⁽¹⁾	6.6%	5.1%	7.7%	19.2%	18.2%
Foreign currency exchange ⁽³⁾	5.0%	5.3%	12.4%	1.3%	(1.6)%
Daily, constant currency sales	11.6%	10.4%	20.1%	20.5%	16.6%

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

(1) There were 256 and 254 selling days 2024 and 2023, respectively.

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

(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⁽¹⁾

	2024	2023	2022	2021	2020
Reported operating earnings	\$ 2,637	\$ 2,565	\$ 2,215	\$ 1,547	\$ 1,019
Restructuring ⁽²⁾	16	—	—	—	27
Fabory impairment (Other)	—	—	—	—	177
E&R divestiture (HTS - N.A.)	—	26	—	—	—
Cromwell's subsidiary divestiture (Other)	—	—	(21)	—	—
Fabory divestiture (Other)	—	—	—	—	109
Grainger China divestiture (Other)	—	—	—	—	(5)
Adjusted operating earnings	\$ 2,653	\$ 2,591	\$ 2,194	\$ 1,547	\$ 1,327
Reported Sales	\$ 17,168	\$ 16,478	\$ 15,228	\$ 13,022	\$ 11,797
Adjusted operating margin	15.5%	15.7 %	14.4 %	11.9 %	11.2 %

High-Touch Solutions N.A.

	2024	2023	2022	2021	2020
Reported operating earnings	\$ 2,385	\$ 2,334	\$ 1,983	\$ 1,334	\$ 1,182
Restructuring ⁽²⁾	15	—	—	—	18
E&R divestiture	—	26	—	—	—
Adjusted operating earnings	\$ 2,400	\$ 2,360	\$ 1,983	\$ 1,334	\$ 1,200
Reported Sales	\$ 13,720	\$ 13,267	\$ 12,182	\$ 10,186	\$ 9,221
Adjusted operating margin	17.5 %	17.8 %	16.3 %	13.1 %	13.0 %

Endless Assortment (EA)

	2024	2023	2022	2021	2020
Reported operating earnings	\$ 260	\$ 233	\$ 223	\$ 232	\$ 166
Restructuring	—	—	—	—	9
Adjusted operating earnings	\$ 260	\$ 233	\$ 223	\$ 232	\$ 175
Reported Sales	\$ 3,134	\$ 2,916	\$ 2,787	\$ 2,576	\$ 2,178
Adjusted operating margin	8.3 %	8.0 %	8.0 %	9.0 %	8.0 %

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 charges recorded, refer to Grainger's Form 10-K filed in the respective period.

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

(2) Reflects restructuring costs incurred in the second quarter of 2024 of \$15M and \$1M in Grainger's HTS-N.A. segment and Other businesses, respectively.

GAAP to Non-GAAP Reconciliations

Key Metrics & Adjusted ROIC

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

Adjusted EPS

	2024	2023	2022	2021	2020
Diluted earnings per share reported	\$38.71	\$ 36.23	\$ 30.06	\$ 19.84	\$ 12.82
Restructuring	0.32	—	—	—	0.49
Impairment charges	—	—	—	—	3.26
Business divestiture	—	0.52	(0.40)	—	1.93
Total pretax earnings adjustments ⁽¹⁾	0.32	0.52	(0.40)	—	5.68
Tax benefit ⁽²⁾	(0.07)	(0.08)	—	—	(2.32)
Total earnings adjustments, net of tax	0.25	0.44	(0.40)	—	3.36
Diluted earnings per share adjusted	\$38.96	\$ 36.67	\$ 29.66	\$ 19.84	\$ 16.18

Free Cash Flow

	2024	2023	2022	2021	2020
Cash flows from operating activities	\$2,111	\$ 2,031	\$ 1,333	\$ 937	\$ 1,123
Capital expenditures	(541)	(445)	(256)	(255)	(197)
Free cash flow	\$1,570	\$ 1,586	\$ 1,077	\$ 682	\$ 926

Adjusted ROIC

2024	Adjusted operating earnings ⁽¹⁾	\$ 2,653	Q4 '24	Q3 '24	Q2 '24	Q1 '24	Q4 '23
Total assets		\$8,829	\$8,617	\$8,352	\$ 8,400	\$ 8,147	
Cash equivalents		(731)	(772)	(552)	(635)	(473)	
Deferred and prepaid income taxes		(29)	(65)	(74)	(11)	(19)	
Right-of-use assets		(371)	(400)	(396)	(408)	(429)	
LIFO reserves		804	794	786	778	770	
Working liabilities ⁽³⁾		(1,738)	(1,837)	(1,838)	(1,871)	(1,761)	
Net working assets		\$6,764	\$6,337	\$6,278	\$ 6,253	\$ 6,235	
Average net working assets		\$6,373					
Adjusted ROIC		41.6%					

2023 Adjusted operating earnings⁽¹⁾

	2023	Adjusted operating earnings ⁽¹⁾	\$ 2,591	Q4 '23	Q3 '23	Q2 '23	Q1 '23	Q4 '22
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 ⁽³⁾		(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 %						

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

(1) See slide 38 for segment impact and a description of Grainger's pretax earnings adjustments as well as 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⁽¹⁾ **\$ 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 ⁽²⁾	(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⁽¹⁾ **\$ 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 ⁽²⁾	(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 **\$ 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 ⁽²⁾	(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 %				

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 38 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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