

W.W. Grainger, Inc.

DG Macpherson, Chairman and CEO

Electrical Products Group

GRAINGER

May 23, 2018

Safe Harbor Statement and Non-GAAP Financial Measures

All statements in this communication, other than those relating to historical facts, are “forward-looking statements.” These 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. These 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 expectations include, among others: higher product costs or other expenses; a major loss of customers; loss or disruption of source of supply; increased competitive pricing pressures; failure to develop or implement new technologies; the implementation, timing and success of our strategic pricing initiatives; the outcome of pending and future litigation or governmental or regulatory proceedings, including with respect to wage and hour, anti-bribery and corruption, environmental, advertising, privacy and cybersecurity matters; investigations, inquiries, audits and changes in laws and regulations; disruption of information technology or data security systems; general industry or market conditions; general global economic conditions; currency exchange rate fluctuations; market volatility; commodity price volatility; labor shortages; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; natural and other catastrophes; unanticipated weather conditions; loss of key members of management; our ability to operate, integrate and leverage acquired businesses; changes in credit ratings; changes in effective tax rates and other factors which can be found in our filings with the Securities and Exchange Commission, including our most recent periodic reports filed on Form 10-K and Form 10-Q, which are available on our Investor Relations website. Forward-looking statements are given only as of the date of this communication and we disclaim any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law.

Additional information relating to certain non-GAAP financial measures referred to in this presentation, including adjusted operating earnings, adjusted segment operating earnings, adjusted net earnings and adjusted diluted earnings per share, is available in the appendix to this presentation.

Grainger – A $10.4 billion multichannel B2B distributor

MODEL	RELATIONSHIPS	ORDER ORIGINATION	ORDER FULFILLMENT
High-Touch Multichannel Customized offer for more complex customer needs.	**Sales and Service Reps**  **Digital**  Sellers, service representatives and digital solutions drive relationships with purchasers and end users.	**Digital Channels** **Website**  Highly curated product information and search **KeepStock®**  Inventory management **EDI/ePro**  Embedded in customer purchasing process **Phone**  **Branch**  Strong technical knowledge across a wide range of product lines helps customers through the purchasing process over the phone or at the branch	**Direct-to-customer (DTC)** **Distribution Center**  **KeepStock®**  **Branch**  Stocked assortment of quality industrial MRO products with high availability
Single Channel Online Endless assortment at competitive prices.	**Primarily Digital**  Digital solutions and marketing to build relationships.	**Website**  Streamlined search and transactional experience	**Distribution Center**  Broad “endless”assortment across all business-to-business categories at competitive prices

Our Portfolio

For the year ended 12/31/2017			PORTFOLIO PERFORMANCE					STRATEGIC IMPERATIVES
				Organic Growth[1]		Adjusted[2]		
			Revenue	Revenue Growth	Volume Growth	Operating Margin	ROIC	Create Unique Value
High-Touch Multichannel	U.S.	Large	$6.2B	1%	4%	~15%[4]	40%	Build advantaged MRO solutions
								Execute high-value sales and service solutions
		Medium	$0.9B	(1%)	9%			Complete the pricing actions, grow midsize business
	Canada		$0.8B	3%	3%	~(5%)	(7%)	Execute complete business model reset
	International[3]		$0.9B	7%	7%	~1%	<5%	Drive profitable growth
Single Channel Online			$1.3B	20%	20%	~10%	~50%[5]	Drive growth through product assortment expansion and customer acquisition
TOTAL COMPANY[6]			**$10.4B**	**3%**	**8%**	**11%[7]**	**24%[7]**	

[1] Organic growth excludes acquisitions, divestitures and foreign exchange. Organic revenue growth is not on daily basis. [2] Please see page 12-13 for non-GAAP reconciliation. [3] International includes Cromwell, Fabory, Mexico, China and Latin America. [4] U.S. segment operating margin. [5] ROIC shown is for MonotaRO, which serves as a proxy for the overall single channel business. [6] Total company also includes Specialty Brands, eliminations and unallocated expenses. [7] Results for 2017 have been restated due to adoption of Accounting Standards Update (ASU) 2017-07, Compensation Retirement Benefits (Topic 715).

U.S. Multichannel Value Proposition

Advantaged MRO Solutions



- Broad assortment of high-quality products
- Deep product expertise and customer knowledge
- Best-in-class digital experience

Consultative Sales And Services Model



- Help customers manage inventory and reduce costs
- Solve most pressing customer problems
- Offer technical support and other services

Flawless Order to Cash Process



- Order origination to best suit customer needs
- High percentage of orders stocked, shipped complete and delivered quickly
- No-hassle invoicing and returns processes

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FOR THE ONES WHO GET IT DONE

Building Upon Our Digital Advantage

Digital Marketing and More Relevant Prices

Large: market share ~8%

- Majority of business already competitively priced
- Increased share gains as customers buy more infrequently purchased items

Medium: market share ~2%

- Majority growth coming from existing/lapsed business
- Meaningful portion coming from new customer acquisition
- Growth spread across all midsize business regardless of size or end market
- Midsize GP rates higher than U.S. segment average

Overall return on marketing investment increasing

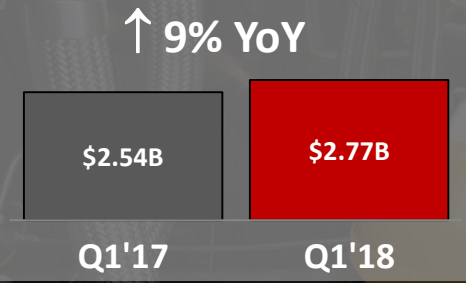
Building Digital Capabilities

- Launched Gamut in 2017
- Response to curated search experience positive
- One leader now responsible for both Gamut and Grainger.com:
    - Improving existing Grainger.com experience and seeing good progress
    - Likely to expose Gamut search to Grainger.com customers in the next 12 months
- Exploring next steps for our digital offer

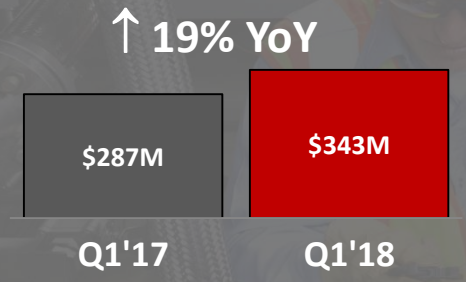
Q1 2018 Results

Total Company

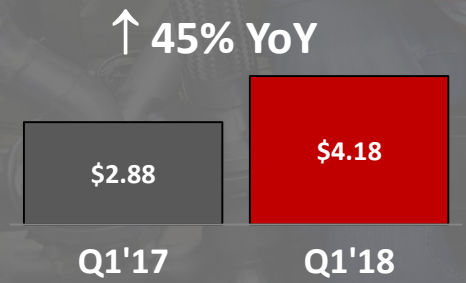
$2.77B
Revenue



$343M
Adj. Op. Earnings

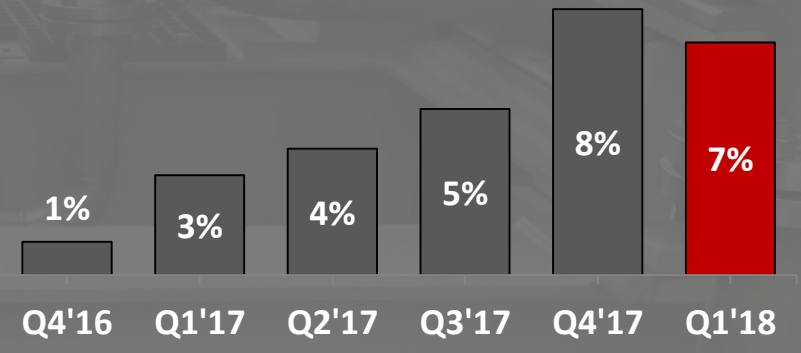


$4.18
Adj. EPS

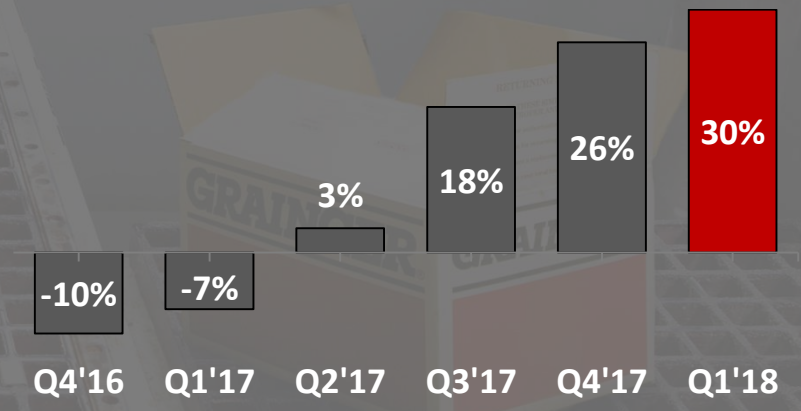


U.S. Volume

U.S. Large
daily volume growth on sales of $6.2 billion



U.S. Medium
daily volume growth on sales of $0.9 billion



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Reference slide 14 for GAAP vs. non-GAAP reconciliation. Note: U.S. Large revenue of $6.2 billion and U.S. Medium revenue of $0.9 billion for the year-ended 12/31/2017. Total product COGS dollars (excludes freight, rebates and other adjustments) used as a proxy for volume.

2018 Guidance

	LOW	MID-PT	HIGH
Sales ($B)	$10.9	$11.1	$11.3
EPS	$14.30	$14.80	$15.30
Sales growth	5%	6.5%	8%
Op. Earnings growth	6%	10%	14%
EPS growth	25%	29%	33%
Op. Margin	11.1%	11.3%	11.5%
Op. Margin bps vs. PY	10 bps	30 bps	50 bps

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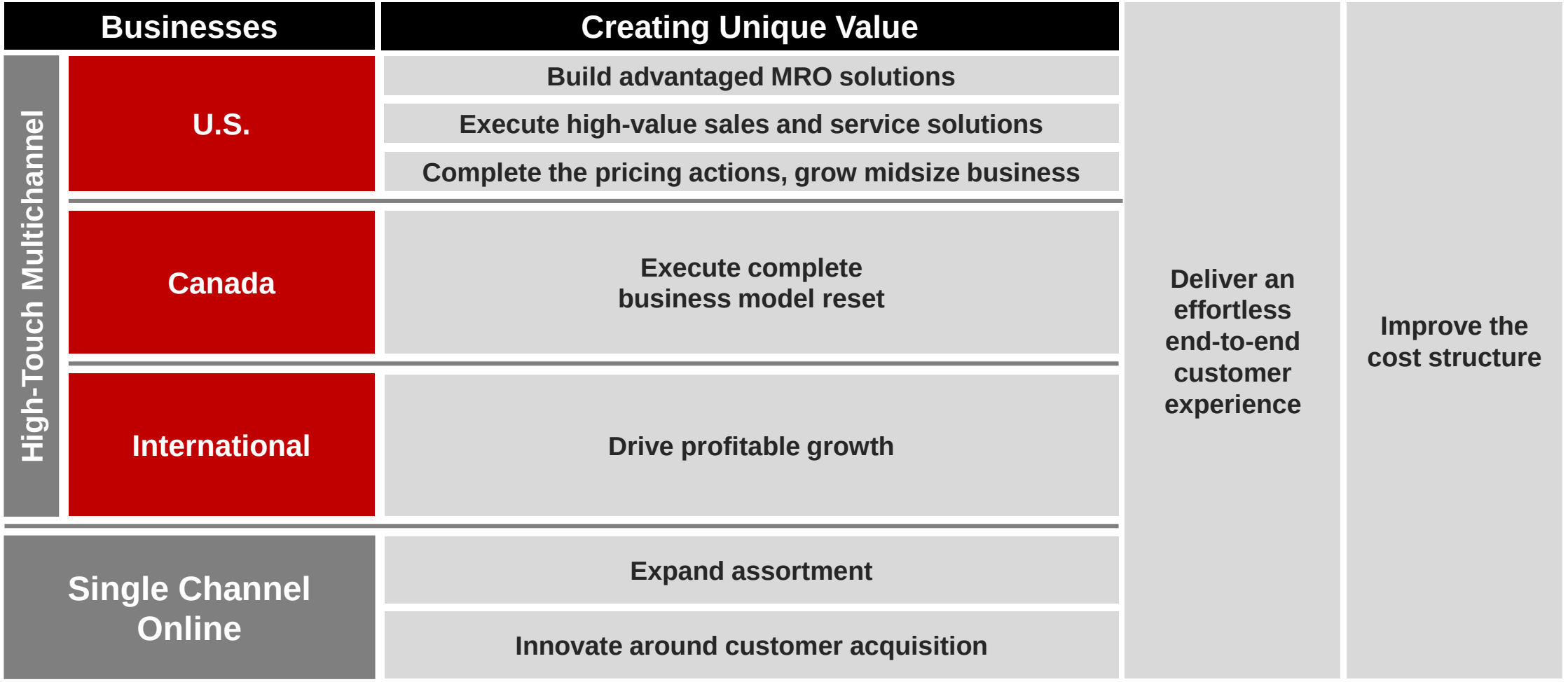
Note: As of 4/19/2018. Reference slide 14 for GAAP vs. non-GAAP reconciliation.

Strategic Imperatives




Q&A

Appendix

2016 and 2017 GAAP to Non-GAAP Reconciliations

	Twelve Months Ended December 31,		
	2017	2016	%
Operating earnings reported	$ 1,034,932	$ 1,112,680	(5)%
Restructuring (United States)	44,121	33,904	
Branch gains (United States)	(32,863)	(18,236)	
Other (gains)/charges (United States)	(4,510)	45,555	
Restructuring (Canada)	39,287	14,998	
Inventory reserve adjustment (Canada)	—	9,847	
Restructuring (Other Businesses	55,020	—	
Other charges (Other Businesses)	—	52,318	
Restructuring (Unallocated expense)	10,593	8,947	
Subtotal	111,648	147,333	
Operating earnings adjusted[1]	$ 1,146,580	$ 1,260,013	(9)%

	Twelve Months Ended December 31,		
	2017	2016	%
Segment operating earnings adjusted			
United States	1,206,881	1,329,623	
Canada	(37,251)	(40,517)	
Other Businesses	110,653	93,002	
Unallocated expense	(133,703)	(122,095)	
Segment operating earnings adjusted	$ 1,146,580	$ 1,260,013	(9)%
Company operating margin adjusted[1]	11.0 %	12.4 %	
ROIC* for Company[1]	24.3 %	25.7 %	
ROIC* for United States	39.8 %	42.4 %	
ROIC* for Canada	(7.0)%	(7.1)%	

*Adjusted ROIC is calculated as defined in our Q4 2017 earnings press release, excluding the items adjusting operating earnings as noted.

1. Results for 2016 and 2017 have been restated due to adoption of Accounting Standards Update (ASU) 2017-07, Compensation Retirement Benefits (Topic 715).

2016 and 2017 GAAP to Non-GAAP Reconciliations

	Twelve Months Ended December 31,		
	2017	2016	%
Net earnings reported	$ 585,730	$ 605,928	(3)%
Restructuring (United States)	30,352	21,234	
Branch gains (United States)	(20,620)	(11,421)	
Other (gains)/charges (United States)	(2,830)	28,531	
Restructuring (Canada)	30,390	11,085	
Inventory reserve adjustment (Canada)	—	7,278	
Restructuring (Other Businesses	55,324	—	
Other charges (Other Businesses)	—	52,318	
Restructuring (Unallocated expense)	6,647	5,603	
U.S. tax legislation	(3,250)	—	
Discrete tax items	(12,123)	(9,378)	
Subtotal	83,890	105,250	
Net earnings adjusted	$ 669,620	$ 711,178	(6)%

	Twelve Months Ended December 31,		
	2017	2016	
Diluted earnings per share reported	$ 10.02	$ 9.87	2 %
Pretax adjustments:			
Restructuring (United States)	0.76	0.56	
Branch gains (United States)	(0.56)	(0.30)	
Other (gains)/charges (United States)	(0.08)	0.74	
Restructuring (Canada)	0.67	0.25	
Inventory reserve adjustment (Canada)	—	0.16	
Restructuring (Other Businesses)	0.94	—	
Other charges (Other Businesses)	—	0.85	
Restructuring (Unallocated expense)	0.18	0.15	
Total pretax adjustments	1.91	2.41	
Tax effect (1)	(0.21)	(0.55)	
U.S. tax legislation (2)	(0.06)	—	
Discrete tax items	(0.20)	(0.15)	
Total, net of tax	1.44	1.71	
Diluted earnings per share adjusted	$ 11.46	$ 11.58	(1)%

(1) The tax impact of adjustments is calculated based on the income tax rate in each applicable jurisdiction, subject to deductibility limitations and the company's ability to realize the associated tax benefits.

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

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Q1 2017 and 2018 GAAP to Non-GAAP Reconciliations

(In thousands of dollars)	Three Months Ended March 31, 2018	2017	%
Operating earnings reported	$ 334,830	$ 292,501	14%
Restructuring (United States)	3,101	3,066	
Branch gains (United States)	(7,528)	(9,388)	
Restructuring (Canada)	10,920	1,087	
Restructuring (Other Businesses)	1,175	—	
Restructuring (Unallocated expense)	370	—	
Subtotal	8,038	(5,235)	
Operating earnings adjusted	$ 342,868	$ 287,266	19%

	Three Months Ended March 31, 2018	2017	%
Segment operating earnings adjusted			
United States	352,077	303,320	
Canada	(9,237)	(15,642)	
Other Businesses	37,597	31,507	
Unallocated expense	(37,569)	(31,919)	
Segment operating earnings adjusted	$ 342,868	$ 287,266	19 %
Company operating margin adjusted	12.4 %	11.3 %	
ROIC* for Company	28.9 %	24.0 %	
ROIC* for United States	46.8 %	38.8 %	
ROIC* for Canada	(7.3)%	(11.5)%	

*Adjusted ROIC is calculated as defined in our Q1 2018 earnings press release, excluding the items adjusting operating earnings as noted.

	Three Months Ended March 31, 2018	2017	%
Net earnings reported	$ 231,535	$ 174,744	32%
Restructuring (United States)	2,365	1,919	
Branch gains (United States)	(5,741)	(5,878)	
Restructuring (Canada)	8,330	803	
Restructuring (Other Businesses)	950	—	
Restructuring (Unallocated expense)	282	—	
Subtotal	6,186	(3,156)	
Net earnings adjusted	$ 237,721	$ 171,588	39%
Diluted earnings per share reported	$ 4.07	$ 2.93	39%
Pretax adjustments:			
Restructuring (United Sates)	0.05	0.05	
Branch gains (United States)	(0.13)	(0.16)	
Restructuring (Canada)	0.19	0.02	
Restructuring (Other Businesses)	0.02	—	
Restructuring (Unallocated expense)	0.01	—	
Total pretax adjustments	0.14	(0.09)	
Tax effect (1)	(0.03)	0.04	
Total, net of tax	0.11	(0.05)	
Diluted earnings per share adjusted	$ 4.18	$ 2.88	45%

(1) The tax impact of adjustments is calculated based on the income tax rate in each applicable jurisdiction, subject to deductibility limitations and the company's ability to realize the associated tax benefits.

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