

NYSE: GWW

# Q4 2024 Earnings Call

January 31, 2025

*Updated Version as of 2/7/25  
(Appendix Slide 36 Revised)*



# 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 20 – 24 & 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.



# Opening Remarks

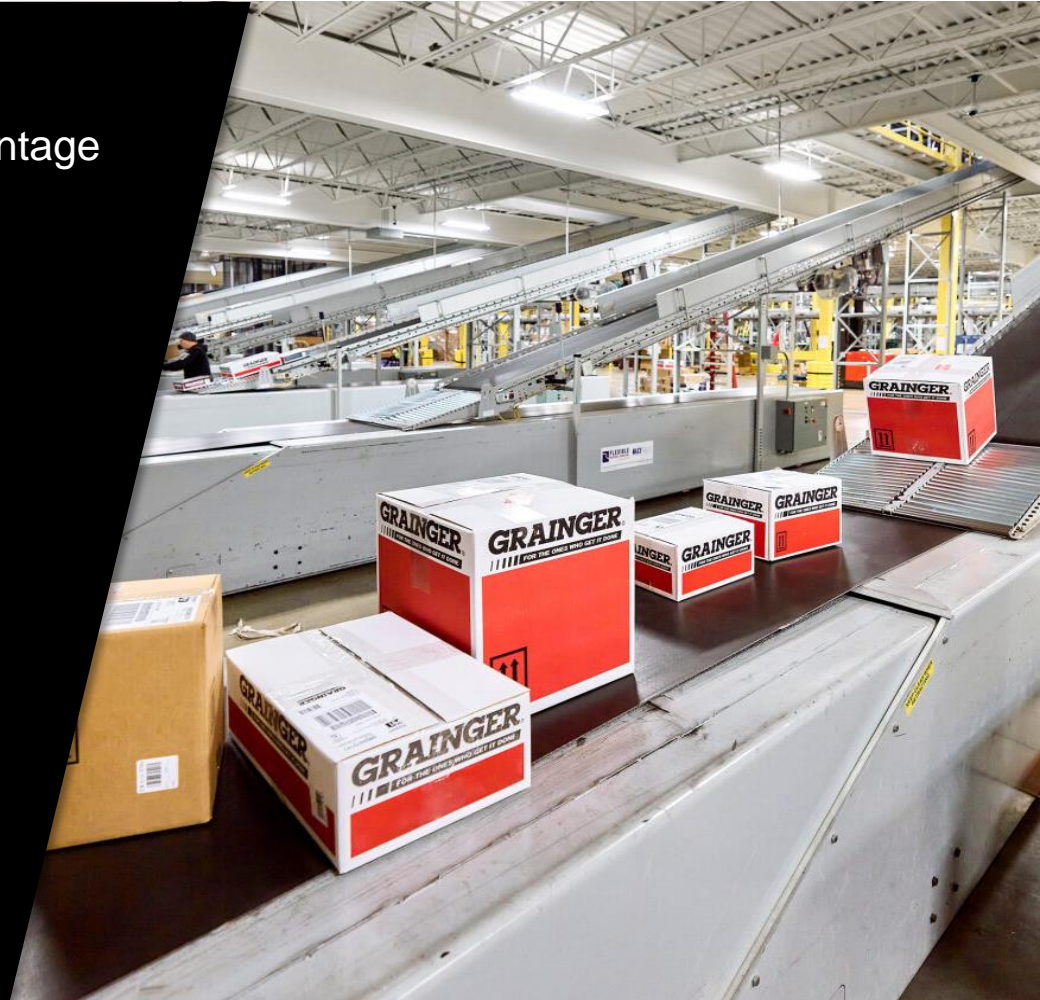
**D.G. Macpherson**  
Chairman and CEO



# Focused execution driving strategy forward

## 2024 HIGHLIGHTS

- ✓ Leveraged HTS - N.A. proprietary data assets to further competitive advantage
  - Advanced strategic growth engines forward, driving share gain and improved customer experiences
  - Utilized proprietary data assets to pilot new AI / ML capabilities
- ✓ Reaccelerated EA growth through enhanced analytical capabilities and customer-facing improvements
- ✓ Progressed supply chain expansion investments
- ✓ Advanced culture aimed at driving engaged and customer-focused team members
- ✓ Delivered on FY'24 financial commitments, driving strong shareholder returns





# Investing in foundational competencies to advance best-in-class MRO offering

## RECALL

**MRO customers have two basic needs...**

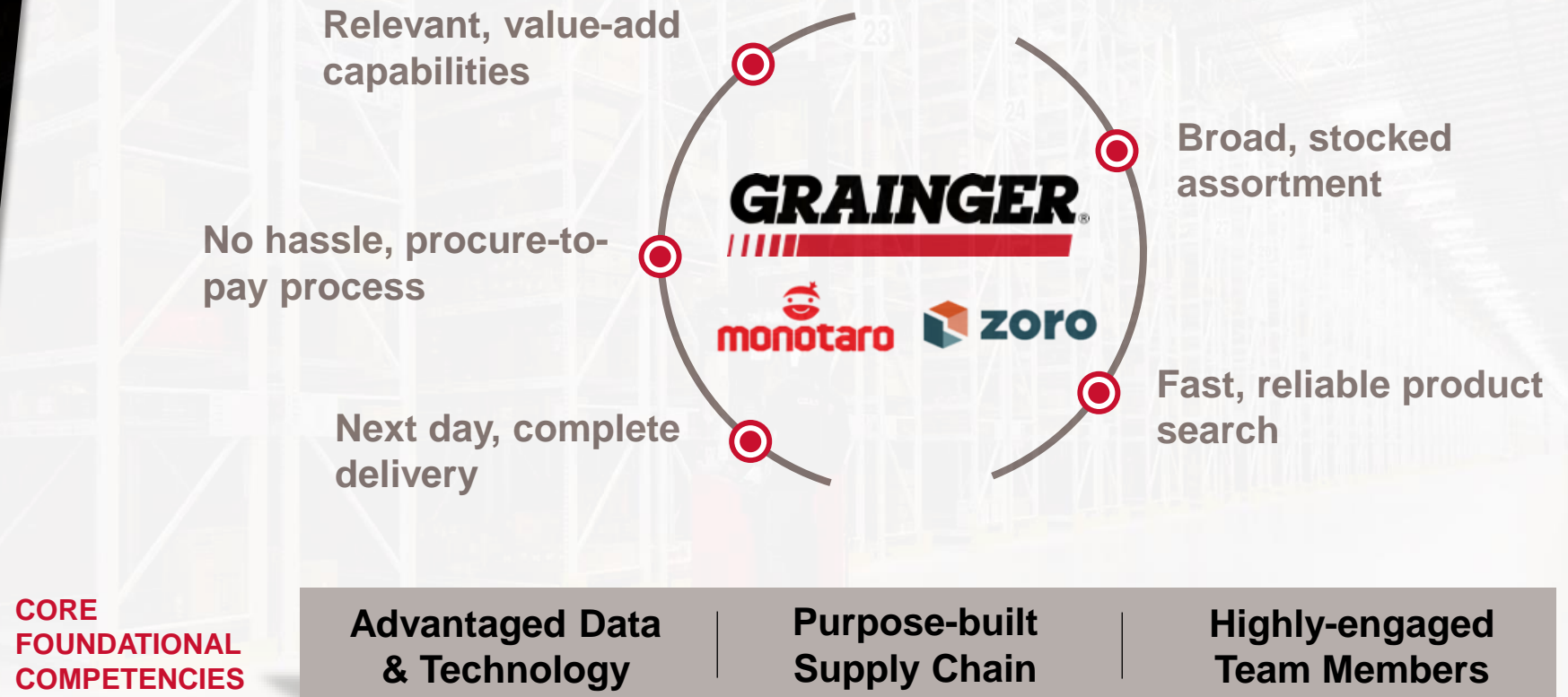
### ✓ Provide a flawless experience

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

### ✓ Deliver tangible value

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

*...delivered through our best-in-class offer*



# Propriety data advantage fueling HTS growth engines



## Merchandising

- ✓ Completed first pass through full assortment
- ✓ Launched "Grainger" branded products
- ✓ Conducting iterative reviews; expect net assortment growth going forward



## Marketing

- ✓ Increased investment at continued strong ROAS
- ✓ Expanding channels and leveraging data assets to drive marketing effectiveness



## Seller Coverage

- ✓ Added one new geography in 2024
- ✓ New sellers ramping as expected
- ✓ Planning for 1-2 additional geographies in 2025



## Seller Effectiveness

- ✓ Rolled out seller insights platform leveraging proprietary customer and product information
- ✓ Up-skilling sellers with intensive, customer-focused training



## Customer Solutions

- ✓ Implementing home-grown software across KeepStock
- ✓ Continue to see category and location expansion

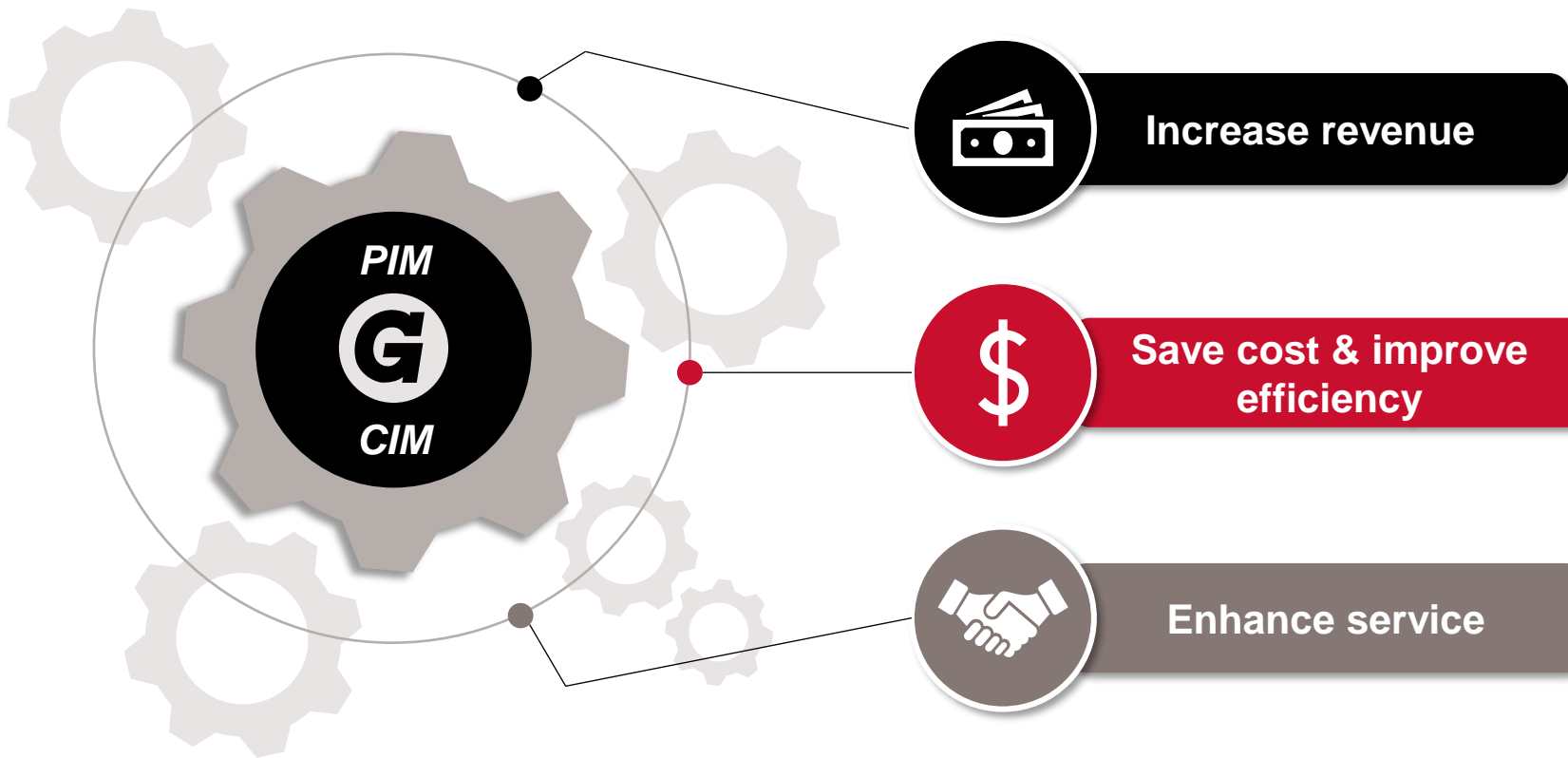


**Powered by home-grown data assets and systems**



# Data advantage also propelling AI / ML opportunities

*New technology driving opportunity to...*



## *In-flight initiatives*

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

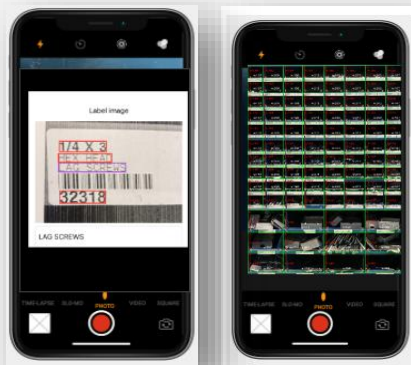
*... and more to come*

# Long run-way to drive significant value across the business

## KeepStock Install Tool

### COMPUTER VISION

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

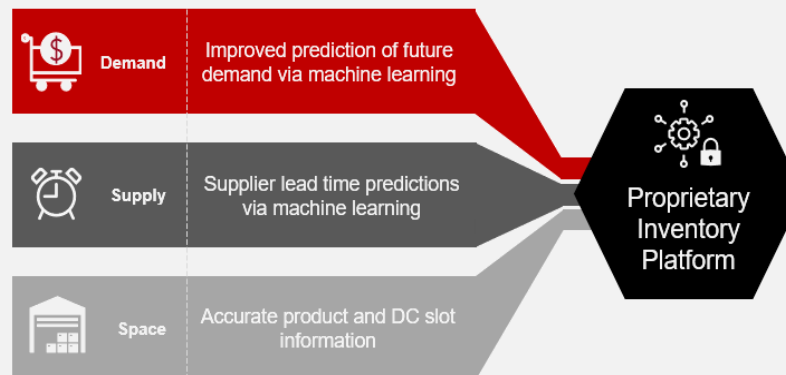


*meaningful reduction in data collection time*

## Inventory Optimization Model

### MACHINE LEARNING

*Optimizing SKU breadth and depth by market, driving increased revenue*

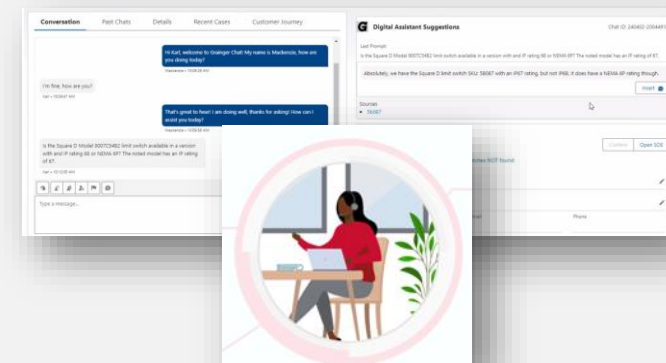


**~250bps** service level improvement <sup>(1)</sup>

## 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*

PROGRESS

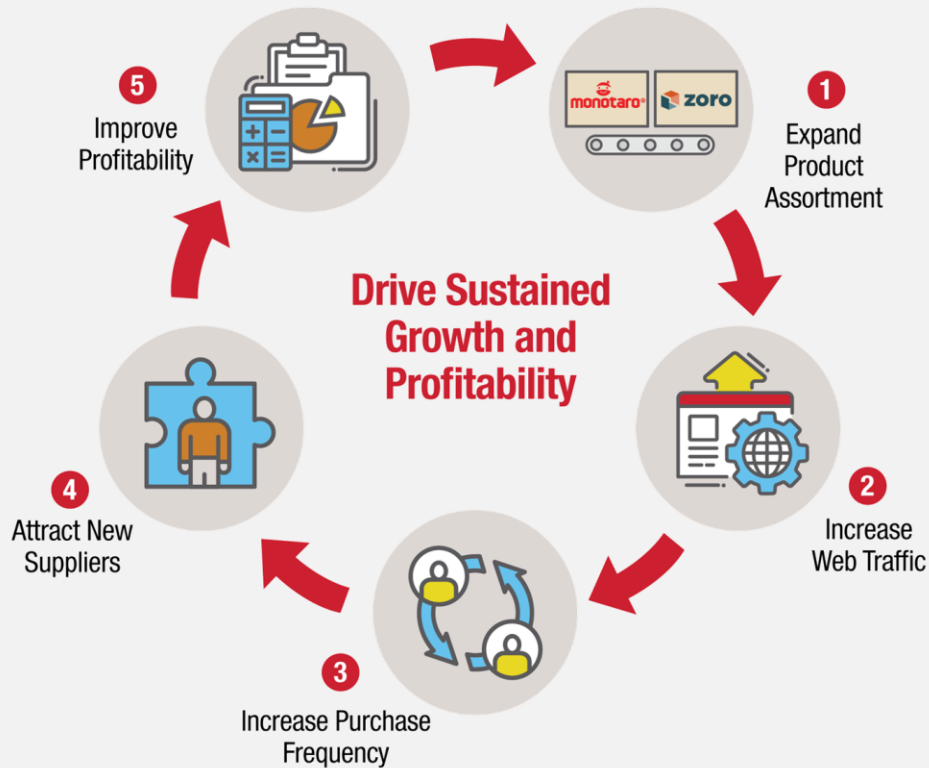
Implemented

Piloting



# Endless Assortment continues driving flywheel, delivering value to B2B customers and supplier partners

## 2024 HIGHLIGHTS



- ✓ Added over 1.4M new products to Zoro
- ✓ Increased registered users by +12% across the segment
- ✓ Grew enterprise customer revenue at MonotaRO by +29%
- ✓ Leveraged enhanced data and analytics capabilities to drive improved repeat purchase rates
- ✓ Improved delivery experience at Zoro

# Investing in our world-class supply chain

## Purpose-built B2B supply chain capabilities

### Stocking strategy

Access to the right products and stocked in the right location

### Network Footprint

The right buildings in the right location



### Service-oriented team

Supported by strong partnerships

### Proven operating model

Curated rules that drive scalable processes; leveraging automation where possible

## 2024 INVESTMENTS

### Northwest DC



- ✓ **Building Size:** ~540k sq. ft. with option to expand
- ✓ **Stocking:** ~140k SKUs
- ✓ **Go-live:** 2026
- ✓ **Increase next-day available SKUs by >100%**

### Houston DC



- ✓ **Building Size:** ~1.2M sq. ft.
- ✓ **Stocking:** ~230k SKUs
- ✓ **Go-live:** 2027
- ✓ **Increase next-day available SKUs by >50%**

### Bulk Warehouses

✓ *Minooka, IL*

✓ *Pineville, NC*

# The Grainger Edge<sup>®</sup> helping build a highly-engaged team

## RECOGNITION & 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





# Delivered solid full-year 2024 financial results

## *Executed well amidst a muted demand environment*

- Delivered reported sales growth of 4.2% (4.7% in daily, organic constant currency)
  - Outgrew total U.S. MRO market by ~100 bps in HTS - U.S. (~325 bps on a volume basis)
  - Drove 11.6% revenue growth in daily, constant currency in Endless Assortment
- Maintained strong operating margins of 15.5%
- Produced strong ROIC of 41.6%
- Generated strong operating cash flow of over \$2.1 billion, returning \$1.6 billion to shareholders through dividends and share repurchases<sup>(1)</sup>

Sales

**\$17.2B**

**+4.7%**  
(daily, organic  
constant currency)

Operating  
Margin

**15.5%**

(20) bps

EPS  
(diluted)

**\$38.96**

**+6.2%**

ROIC

**41.6%**

(120) bps

# Q4 2024 Results



**Dee Merriwether**  
SVP and CFO



# Q4 2024 Results: *Total Company*

## Summary Results (Adjusted)

(\$ in millions)

(\$ in millions)	Q4 2024		Q4 2023		% vs. PY Fav/(Unfav)
Sales	\$	4,233	\$	3,997	5.9%
Daily Sales		66.1		63.5	4.2%
GP		1,676		1,563	7.2%
SG&A		1,043		980	(6.4)%
Op Earnings	\$	633	\$	583	8.6%
EPS (diluted)	\$	9.71	\$	8.33	16.6%

(% of sales)

(% of sales)	Q4 2024	Q4 2023	bps vs. PY Fav/(Unfav)
GP Margin	39.6 %	39.1 %	50
SG&A	24.6 %	24.5 %	(10)
Op Margin	15.0 %	14.6 %	40

## Commentary vs. Prior Year

### Sales increased 5.9%; up 4.2% on a daily basis

- 4.7% sales growth on a daily, organic constant currency basis
- Generated growth in both segments

### Gross profit margin increased 50 bps

- Favorability in High-Touch Solutions

### Operating margin increased 40 bps

- High-Touch Solutions gross margin flow through coupled with expense leverage and efficiencies at Endless Assortment

### Diluted EPS of \$9.71, up \$1.38 or 16.6% versus prior year



# Q4 2024 Results: *High-Touch Solutions - N.A.*

## Summary Results (Adjusted)

(\$ in millions)

	Q4 2024		Q4 2023		% vs. PY Fav/(Unfav)
Sales	\$	3,342	\$	3,215	4.0%
Daily Sales		52.2		51.0	2.3%
GP		1,413		1,333	6.0%
SG&A		846		806	(5.0)%
Op Earnings	\$	567	\$	527	7.6%

(% of sales)

	Q4 2024		Q4 2023		bps vs. PY Fav/(Unfav)
GP Margin		42.3 %		41.4 %	90
SG&A		25.3 %		25.0 %	(30)
Op Margin		17.0 %		16.4 %	60

## Commentary vs. Prior Year

### Sales increased 4.0%; up 2.3% on a daily basis

- Increased 3.0% on a daily, organic constant currency basis
- Growth across all geographies in local days, local constant currency

### Gross profit margin increased 90 bps

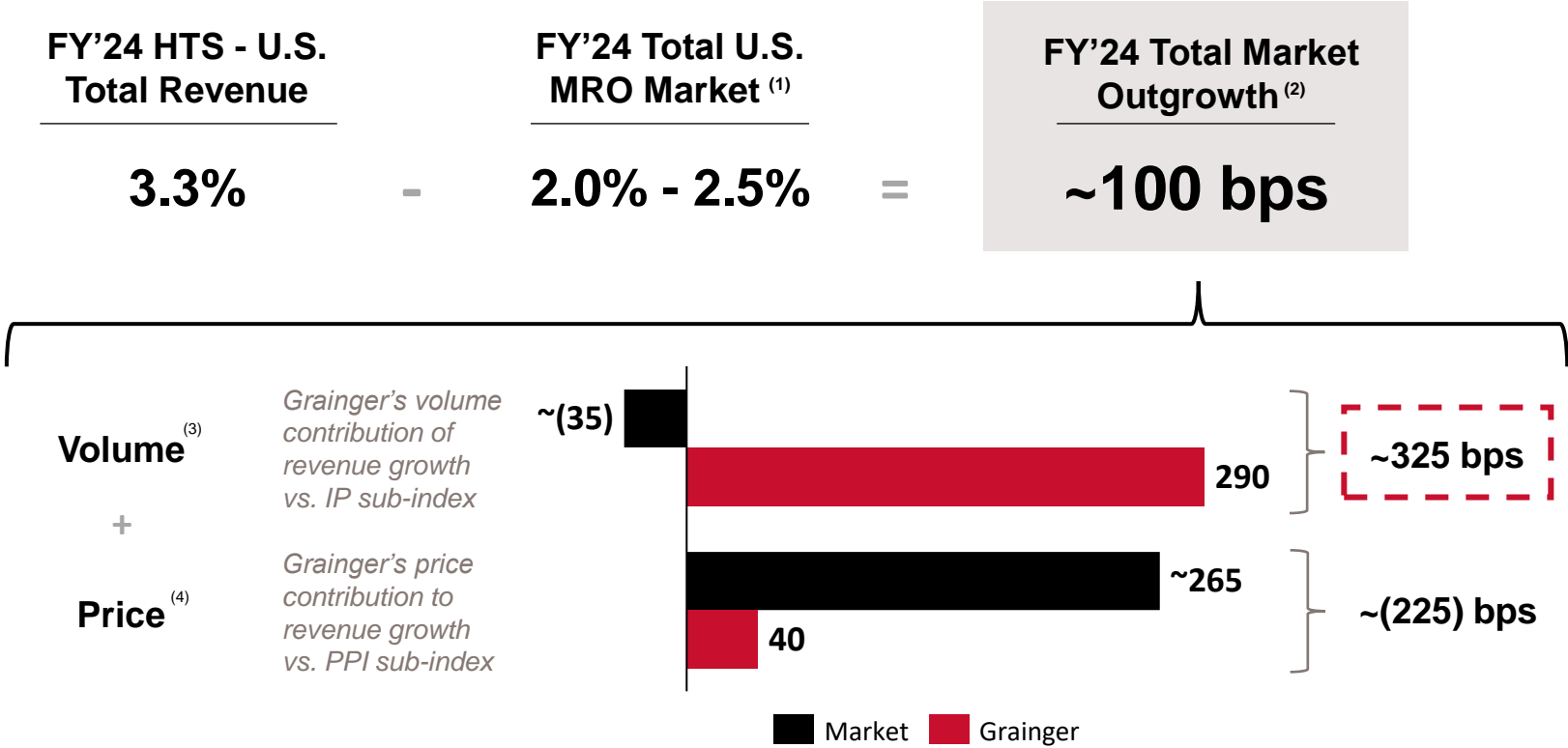
- Lap of PY year-end inventory cost adjustments
- Slight freight and mix favorability
- Price / cost roughly neutral

### Operating margin increased 60 bps

- Gross margin more than offsetting investment in demand generating activities

# MRO Market Outgrowth: *High-Touch Solutions – U.S.*

Delivered FY'24 total MRO market outgrowth of ~100 bps (including ~100 bps in Q4'24), reflecting continued market measurement dislocation



## Looking ahead

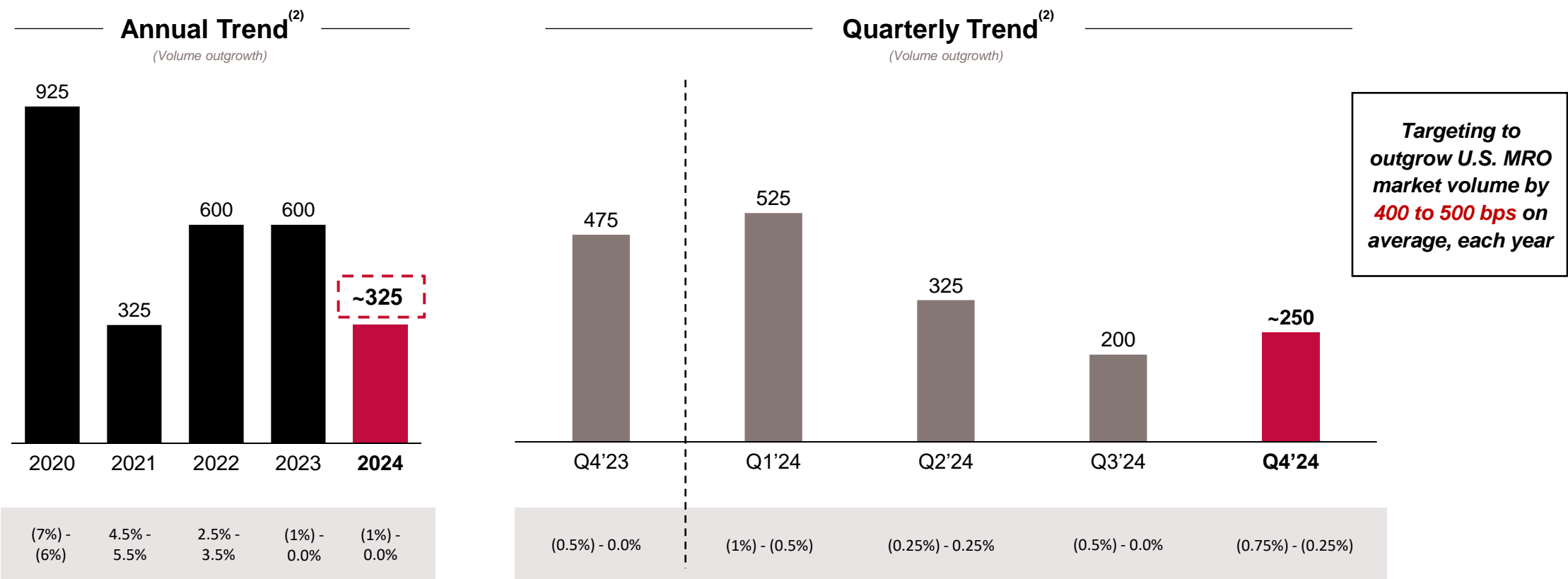
*Will simplify market outgrowth measurement to focus on the volume component going forward ...*

- Differences in product mix between Grainger's assortment and the PPI sub-index drive periods of heightened dislocation
- Price timing creates undue quarter-to-quarter noise
- Price not viewed as long-term share gain lever
- Continue to execute against two core pricing tenets which can be monitored through GM% performance

(1) Total U.S. MRO market estimated using the IP - NAICS Manufacturing sub-index (volume component) and PPI – Final Demand, Private Capital sub-index (price component) as the primary inputs.  
(2) Total market outgrowth measured as High-Touch Solutions - U.S. daily, organic sales growth less estimated Total U.S. MRO market growth.  
(3) Volume outgrowth is measured as High-Touch Solutions - U.S. daily, organic sales growth excluding price/customer mix contribution, less the estimated U.S. MRO market volume component.  
(4) Price outgrowth is measured as High-Touch Solutions - U.S. daily, organic sales excluding volume outgrowth, as defined in footnote (3).

# Volume Outgrowth: *High-Touch Solutions - U.S.*

When removing *price component*, delivered FY 2024 *volume outgrowth* of ~325 basis points



Note: 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.



# Q4 2024 Results: *Endless Assortment*

## Summary Results

(\$ in millions)	Q4 2024		Q4 2023	% vs. PY Fav/(Unfav)
Sales	\$	816	\$ 709	15.1%
Daily Sales		12.8	11.3	13.3%
GP		241	210	14.8%
SG&A		171	155	(10.3)%
Op Earnings	\$	70	\$ 55	27.3%
(% of sales)	Q4 2024		Q4 2023	bps vs. PY Fav/(Unfav)
GP Margin		29.5 %	29.6 %	(10)
SG&A		20.9 %	21.8 %	90
Op Margin		8.6 %	7.8 %	80

## Commentary vs. Prior Year

**Sales increased 15.1%; up 13.2% on a daily, constant currency basis**

- Zoro growth of 13.9% on a daily basis
- MonotaRO growth of 14.3% in local days, local constant currency

**Gross profit margin decreased 10bps**

**Operating margin increased 80bps**

- Zoro increased 140 bps on continued top-line leverage
- MonotaRO increased 90 bps driven by continued DC operating efficiencies

# Looking Ahead



**Dee Merriwether**  
SVP and CFO



# Solid revenue growth expected across both segments

**2.5 – 4.5%**<sup>(1)</sup>

## High-Touch Solutions - N.A.

2025 daily, constant currency sales growth vs. 2024

### Key assumptions

- HTS - U.S.
  - Market volume of (1.5%) to Flat, reflecting continued short-cycle softness
  - Targeting 400 - 500 bps of volume outgrowth, likely near low-end of range in 2025
  - Minimal price inflation, assuming no incremental tariffs vs 2024
- HTS - Canada growing in-line with segment

**11.0 – 15.0%**<sup>(1)(2)</sup>

## Endless Assortment

2025 daily, constant currency sales growth vs. 2024

### Key assumptions

- Reported sales growth ~325 bps lower than daily, constant currency sales growth
- Zero daily sales growth in the low-double digits
- MonotaRO growth in the teens in local days, local currency

**\$17.6 - 18.1B**

## Total Company

2025 net sales

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*Implies 2025 daily, constant currency sales growth of 4.0% to 6.5% vs. 2024*<sup>(1)(2)</sup>



# Anticipate operating margin will stay generally stable

**17.0 – 17.4%**

## High-Touch Solutions N.A.

2025 operating margin; down 50 bps to down 10 bps vs. 2024

### Key assumptions

- Gross margins remain healthy; flat to slightly down year-over-year
- Continued investment in demand generating activities

**8.5 – 9.0%**

## Endless Assortment

2025 operating margin; up 20 bps to up 70 bps vs. 2024

### Key assumptions

- Expect to drive operational leverage at both MonotaRO and Zoro
- Slight GM% headwind at Zoro from growth of 3<sup>rd</sup> party shipped SKUs

**15.1 – 15.5%**

## Total Company

2025 operating margin

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*Implies (40) bps to Flat vs. 2024*

# Expect robust cash flow to support disciplined capital allocation

**\$2.05 – 2.25B**

**Total Company**  
2025 operating cash flow

*Executing consistent, return-driven approach to capital allocation*



# 2025 Full Year Guidance: *Total Company*

**Expect continued solid results while investing for the future**

## 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<sup>(1)</sup>)</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 remains intact



(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.



# Closing Remarks

**D.G. Macpherson**  
Chairman and CEO



# Q&A





# Appendix



# FY 2024 Results: *Total Company*

## Summary Results (Adjusted)

(\$ in millions)	FY 2024		FY 2023		% vs. PY Fav/(Unfav)
Sales	\$	17,168	\$	16,478	4.2%
Daily Sales		67.1		64.9	3.4%
GP		6,758		6,496	4.0%
SG&A		4,105		3,905	(5.1)%
Op Earnings	\$	2,653	\$	2,591	2.4%
<b>EPS (diluted)</b>	\$	<b>38.96</b>	\$	<b>36.67</b>	<b>6.2%</b>
(% of sales)	FY 2024		FY 2023		bps vs. PY Fav/(Unfav)
GP Margin		39.4 %		39.4 %	-
SG&A		23.9 %		23.7 %	(20)
Op Margin		15.5 %		15.7 %	(20)

## Commentary vs. Prior Year

### Sales increased 4.2%; up 3.4% on a daily basis

- 4.7% sales growth on a daily, organic constant currency basis
- Low-single-digit daily sales growth in HTS - N.A. and low-double-digit daily sales growth across EA in constant currency

### Gross profit margin flat vs PY

- Generally stable gross margins in both segments

### Operating margin declined 20 bps

- Continued demand generating investment

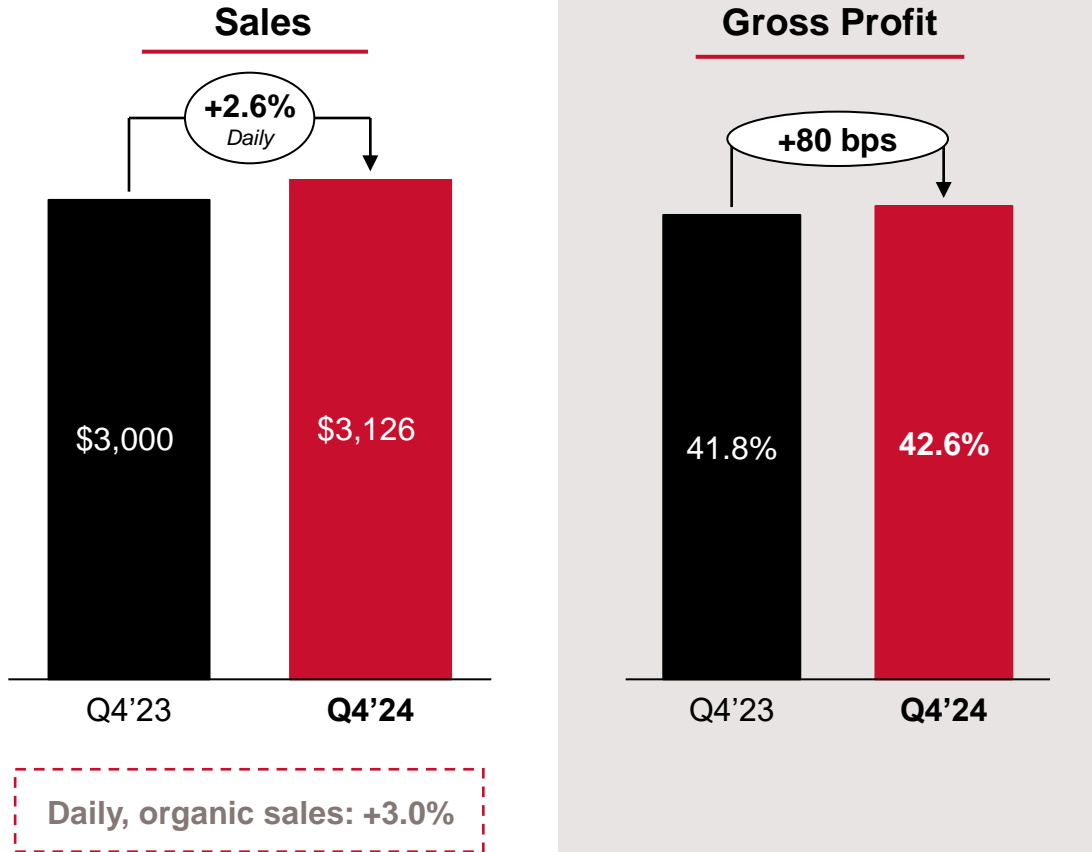
### Diluted EPS of \$38.96, up 6.2% versus prior year



# Q4 2024 Segment Highlights: *High-Touch Solutions - N.A.*

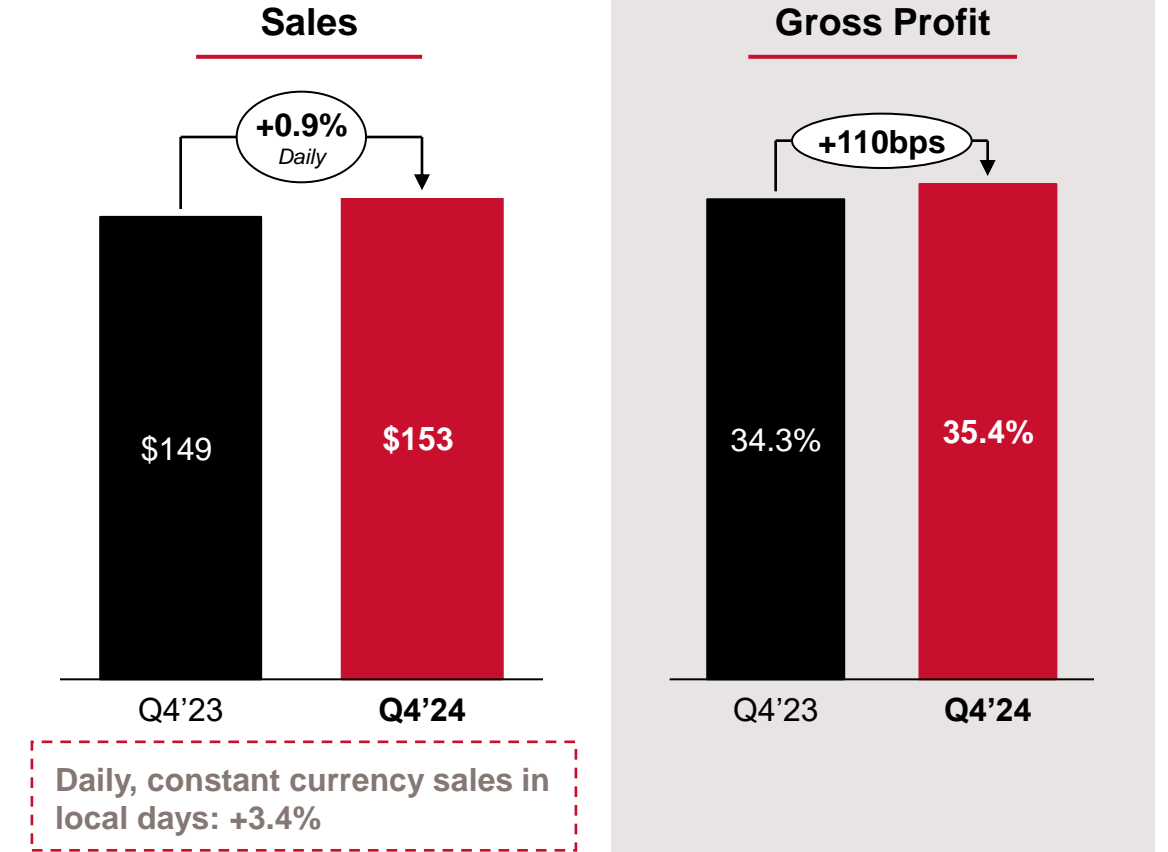
## HTS - U.S.

(\$ millions)



## HTS - Canada

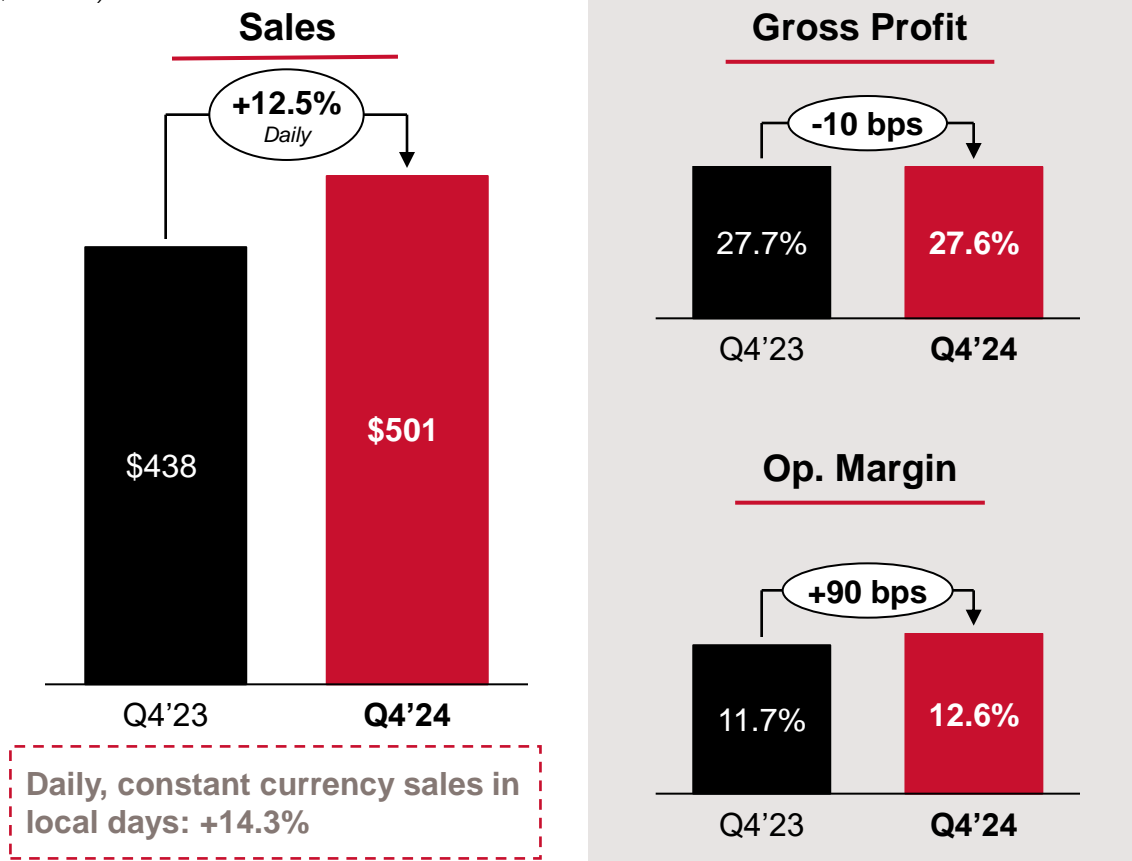
(\$ millions)



# Q4 2024 Segment Highlights: *Endless Assortment*

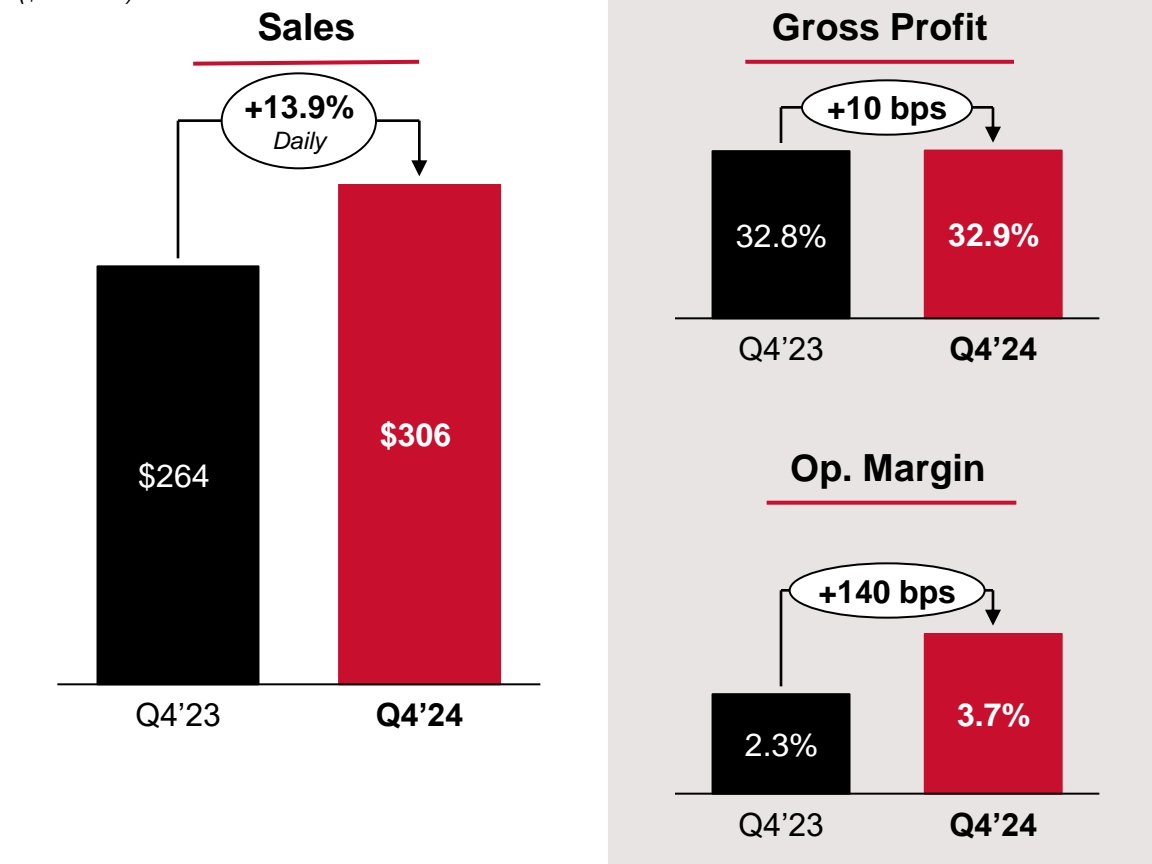
## MonotaRO<sup>(1)</sup>

(\$ millions)



## Zoro - U.S.

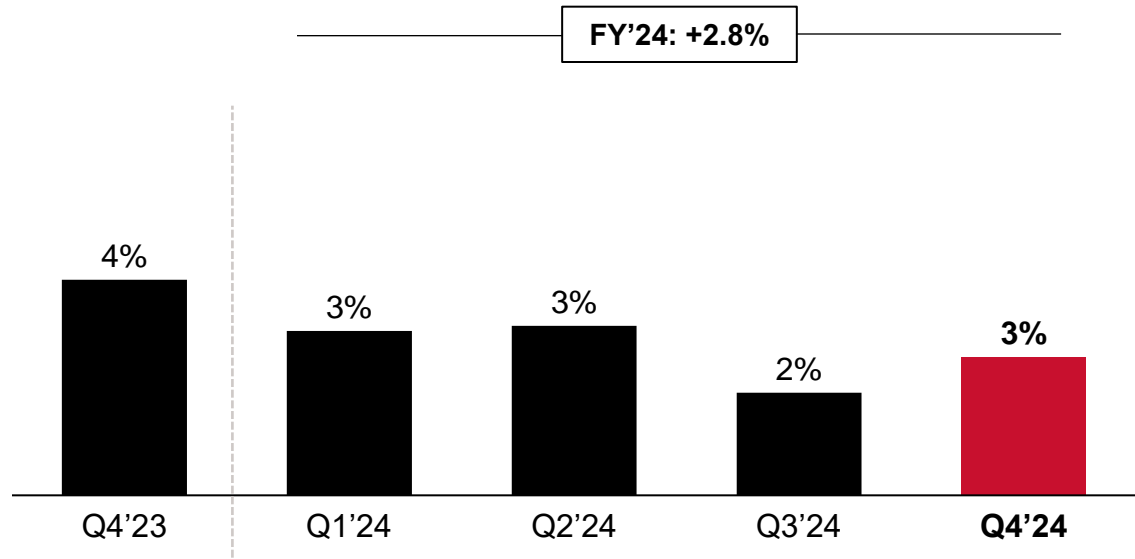
(\$ millions)



Note: Results are consistent on a reported and adjusted basis. See appendix for a reconciliation of any non-GAAP financial measures. Numbers may not sum due to rounding.  
(1) 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.

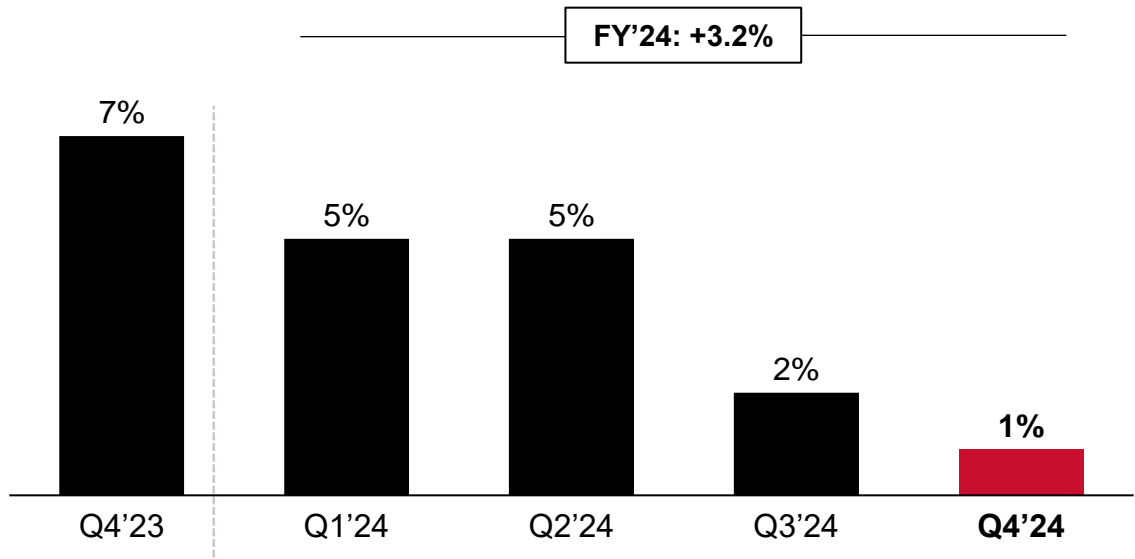
# Q4 2024 Sales Performance: *High-Touch Solutions - U.S.*

## Large Customers<sup>(1)</sup>



**Note:** FY'23 Large Customer daily sales growth was 9.4%


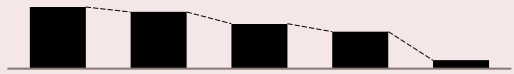









## Mid-sized Customers<sup>(1)</sup>



**Note:** FY'23 Mid-size Customer daily sales growth was 10.5%

Note: See appendix for a reconciliation of any non-GAAP financial measures.  
(1) Large Customer revenue of \$10.7 billion and Mid-sized Customer revenue of \$1.8 billion for the last twelve-month (LTM) period ending December 31, 2024. These numbers exclude specialty brands and certain revenue recognition adjustments which are included in the HTS - U.S. business. Growth rates are presented on a daily basis.

# Sales Growth By Customer End Market: *HTS - U.S.*

	Q4'24	5 Quarter Trend
Commercial Services	DOWN Low-Single Digits	
Contractors	UP Low-Single Digits	
Government	UP High-Single Digits	
Healthcare	UP Low-Double Digits	
Manufacturing	DOWN Low-Single Digits	
Retail	DOWN Low-Single Digits	
Transportation	DOWN High-Single Digits	
Utilities	UP Mid-Single Digits	
Warehousing	UP Mid-Single Digits	
Wholesale	DOWN Low-Single Digits	
Other <sup>(1)</sup>	UP Mid-Single Digits	

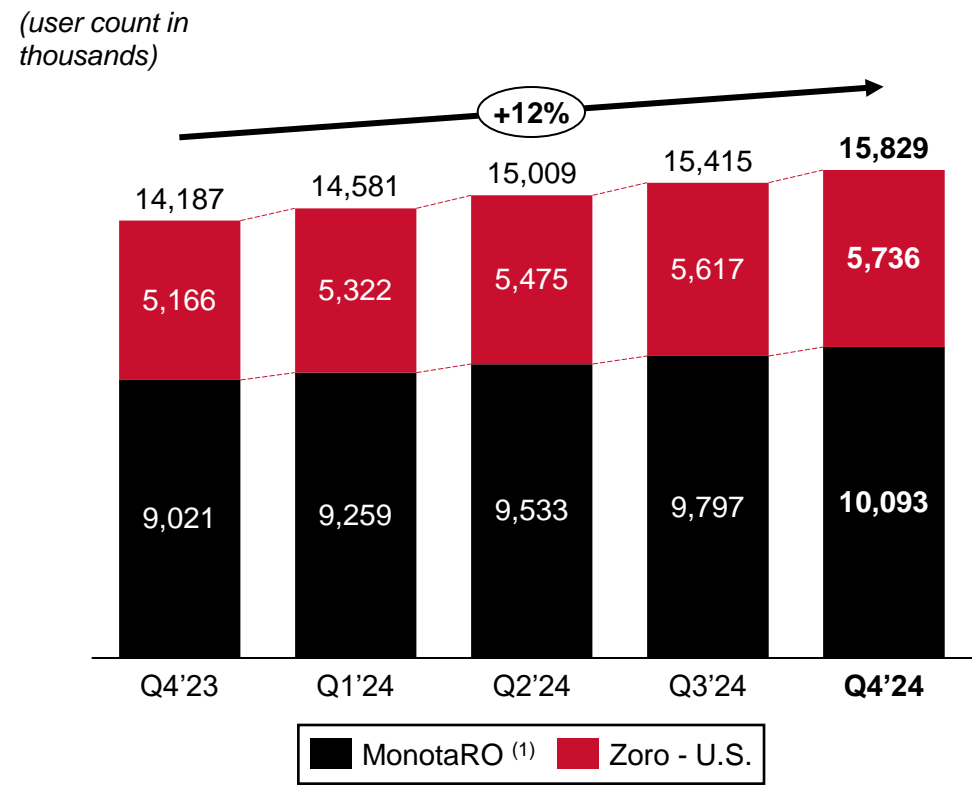
Note: See appendix for a reconciliation of any non-GAAP financial measures. Customer end market definitions primarily follow the North American Industry Classification System (NAICS). Numbers exclude specialty brands and certain revenue recognition adjustments which are included in the HTS - U.S. business. Growth rates are presented on a daily basis in current customer end market alignment.

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

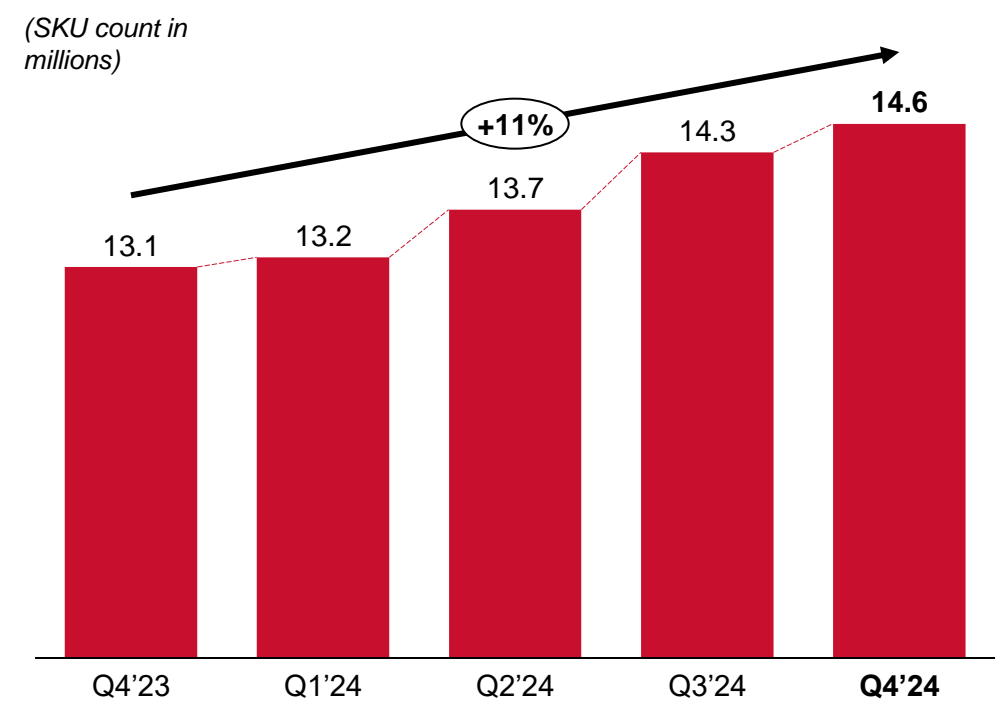


# Operating Metrics: *Endless Assortment*

Total Registered Users



Total Active SKUs (Zoro U.S.)



# 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 <sup>(1)</sup>	\$541	\$450 – \$550
Share Repurchases <sup>(2)</sup>	\$1,201	\$1,150– \$1,250

## Sales Growth Guidance

Total Company	2025 Guidance (as of Jan 31, 2025)	
	Low	High
Daily, Constant Currency Sales	4.0%	6.5%
Daily Impact <sup>(3)</sup>	-0.4%	-0.4%
Foreign Currency Exchange <sup>(4)</sup>	-0.9%	-0.9%
Reported Sales	2.7%	5.2%

High-Touch Solutions	2025 Guidance (as of Jan 31, 2025)	
	Low	High
Daily, Constant Currency Sales	2.5%	4.5%
Daily Impact <sup>(3)</sup>	-0.4%	-0.4%
Foreign Currency Exchange <sup>(4)</sup>	-0.4%	-0.4%
Reported Sales	1.7%	3.7%

Endless Assortment	2025 Guidance (as of Jan 31, 2025)	
	Low	High
Daily, Constant Currency Sales	11.0%	15.0%
Daily Impact <sup>(3)</sup>	-0.4%	-0.4%
Foreign Currency Exchange <sup>(4)</sup>	-2.9%	-2.9%
Reported Sales	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.

# 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:**

**2023:** Q1-64, Q2-64, Q3-63, Q4-63, FY-254      **2025:** Q1-63, Q2-64, Q3-64, Q4-64, FY-255

**2024** Q1-64, Q2-64, Q3-64, Q4-64, FY-256      **2026:** Q1-63, Q2-64, Q3-64, Q4-64, FY-255

# GAAP to Non-GAAP Reconciliations

## Sales growth for the three and twelve months ended December 31, 2024

(percent change compared to the prior year period)

(unaudited)

### Total Company - Monthly Detail

	October	November	December	Q4 2024	FY 2024
Reported sales	10.9%	0.3%	6.2%	5.9%	4.2%
Daily impact	(4.9)%	5.0%	(5.1)%	(1.7)%	(0.8)%
Daily sales <sup>(1)</sup>	6.0%	5.3%	1.1%	4.2%	3.4%
Business divestiture <sup>(2)</sup>	0.4%	0.4%	—%	0.3%	0.4%
Foreign currency exchange <sup>(3)</sup>	(0.4)%	0.3%	0.7%	0.2%	0.9%
Daily, organic constant currency sales	6.0%	6.0%	1.8%	4.7%	4.7%

### Endless Assortment (EA) - Daily Sales – Updated for typo on 2/7/25 (Zoro – U.S. FY'24)

	EA		Zoro - U.S.		MonotaRO	
	Q4 2024	FY 2024	Q4 2024	FY 2024	Q4 2024	FY 2024
Reported sales	15.1%	7.5%	15.7%	10.6%	14.3%	5.3%
Daily impact	(1.8)%	(0.9)%	(1.8)%	(0.9)%	(1.8)%	(0.8)%
Daily sales <sup>(1)</sup>	13.3%	6.6%	13.9%	9.7%	12.5%	4.5%
Foreign currency exchange <sup>(3)</sup>	(0.1)%	5.0%	—%	—%	(0.1)%	8.2%
Daily, constant currency sales	13.2%	11.6%	13.9%	9.7%	12.4%	12.7%
Impact of local days					1.9%	1.3%
Daily, constant currency sales in local days					14.3%	14.0%

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

	HTS - N.A.		HTS - U.S.		HTS - Canada	
	Q4 2024	FY 2024	Q4 2024	FY 2024	Q4 2024	FY 2024
Reported sales	4.0%	3.4%	4.2%	3.5%	2.5%	2.0%
Daily impact	(1.7)%	(0.8)%	(1.6)%	(0.8)%	(1.6)%	(0.8)%
Daily sales <sup>(1)</sup>	2.3%	2.6%	2.6%	2.7%	0.9%	1.2%
Business divestiture <sup>(2)</sup>	0.4%	0.5%	0.4%	0.6%	—%	—%
Foreign currency exchange <sup>(3)</sup>	0.3%	0.1%	—%	—%	2.5%	1.5%
Daily, organic constant currency sales	3.0%	3.2%	3.0%	3.3%	3.4%	2.7%
Impact of local days					—%	—%
Daily, organic constant currency sales in local days					3.4%	2.7%

### High-Touch Solutions - N.A. - Daily Sales Drivers

	HTS - N.A.		HTS - U.S.		HTS - Canada	
	Q4 2024	FY 2024	Q4 2024	FY 2024	Q4 2024	FY 2024
Volume/product mix	1.7%	2.3%	1.6%	2.3%	4.4%	1.9%
Price/customer mix	0.9%	0.4%	1.0%	0.4%	(1.0)%	0.8%
Foreign currency exchange <sup>(3)</sup>	(0.3)%	(0.1)%	—%	—%	(2.5)%	(1.5)%
Daily sales <sup>(1)</sup>	2.3%	2.6%	2.6%	2.7%	0.9%	1.2%
Business divestiture <sup>(2)</sup>	0.4%	0.5%	0.4%	0.6%	—%	—%
Daily, organic sales	2.7%	3.1%	3.0%	3.3%	0.9%	1.2%

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

(1) Based on U.S. selling days, there were 64 and 63 selling days in the fourth quarter of 2024 and 2023 and 256 and 254 selling days in 2024 and 2023, respectively.

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

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



# GAAP to Non-GAAP Reconciliations

## Income statement adjustments for the three months ended December 31, 2024 and December 31, 2023

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

Total Company results included adjusting items which impacted U.S. GAAP as follows:

	Q4 2024			Reported	Adjusted <sup>(2)</sup>	Q4 2023			Reported	Adjusted <sup>(2)</sup>
	Reported	Adj. Items	Adjusted	% of Net sales		Reported	Adj. Items <sup>(1)</sup>	Adjusted	% of Net sales	
<b>Earnings reconciliation:</b>										
SG&A	\$ 1,043	\$ —	\$ 1,043	24.6 %	24.6 %	1,006	(26)	980	25.2 %	24.5 %
Operating earnings	633	—	633	15.0	15.0	557	26	583	13.9	14.6
Other expense — net	(11)	—	(11)	(0.3)	(0.3)	(16)	—	(16)	(0.4)	(0.5)
Earnings before income taxes	622	—	622	14.7	14.7	541	26	567	13.5	14.1
Income tax provision <sup>(3)</sup>	(125)	—	(125)	(3.0)	(3.0)	(129)	(4)	(133)	(3.2)	(3.3)
Net earnings	497	—	497	11.7	11.7	412	22	434	10.3	10.8
Noncontrolling interest <sup>(4)</sup>	(22)	—	(22)	(0.5)	(0.5)	(17)	—	(17)	(0.4)	(0.4)
Net earnings attributable to W.W. Grainger, Inc.	<u>\$ 475</u>	<u>\$ —</u>	<u>\$ 475</u>	<u>11.2 %</u>	<u>11.2 %</u>	<u>\$ 395</u>	<u>\$ 22</u>	<u>\$ 417</u>	<u>9.9 %</u>	<u>10.4 %</u>
Diluted earnings per share:	<u>\$ 9.71</u>	<u>\$ —</u>	<u>\$ 9.71</u>			<u>\$ 7.89</u>	<u>\$ 0.44</u>	<u>\$ 8.33</u>		

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

(1) Reflects the loss on divestiture of Grainger's subsidiary, E & R Industrial Sales, Inc. reported in the Company's HTS-N.A. segment completed in the fourth quarter of 2023. There were no non-GAAP adjustments for the fourth quarter of 2024.

(2) Calculated on the basis of reported net sales for the fourth quarter of 2024 and 2023.

(3) The reported effective tax rates for Q4 2024 and Q4 2023 were 20.1% and 23.5%. The adjusted effective tax rates for Q4 2024 and Q4 2023 were 20.1% and 23.5%, respectively.

(4) The Company has a controlling ownership interest in MonotaRO, with the residual representing noncontrolling interest.

# GAAP to Non-GAAP Reconciliations

## Income statement adjustments for the twelve months ended December 31, 2024 and December 31, 2023

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

Total Company results included adjusting items which impacted U.S. GAAP as follows:

	FY 2024			Reported	Adjusted <sup>(3)</sup>	FY 2023			Reported	Adjusted <sup>(3)</sup>
	Reported	Adj. Items <sup>(1)</sup>	Adjusted	% of Net sales		Reported	Adj. Items <sup>(2)</sup>	Adjusted	% of Net sales	
<b>Earnings reconciliation:</b>										
SG&A	\$ 4,121	\$ (16)	\$ 4,105	24.0 %	23.9 %	\$ 3,931	\$ (26)	\$ 3,905	23.8 %	23.7 %
Operating earnings	2,637	16	2,653	15.4	15.5	2,565	26	2,591	15.6	15.7
Other expense — net	(53)	—	(53)	(0.3)	(0.3)	(65)	—	(65)	(0.4)	(0.4)
Earnings before income taxes	2,584	16	2,600	15.1	15.2	2,500	26	2,526	15.2	15.3
Income tax provision <sup>(4)</sup>	(595)	(4)	(599)	(3.5)	(3.5)	(597)	(4)	(601)	(3.6)	(3.6)
Net earnings	1,989	12	2,001	11.6	11.7	1,903	22	1,925	11.6	11.7
Noncontrolling interest <sup>(5)</sup>	(80)	—	(80)	(0.5)	(0.5)	(74)	—	(74)	(0.5)	(0.5)
Net earnings attributable to W.W. Grainger, Inc.	<u>\$ 1,909</u>	<u>\$ 12</u>	<u>\$ 1,921</u>	<u>11.1 %</u>	<u>11.2 %</u>	<u>\$ 1,829</u>	<u>\$ 22</u>	<u>\$ 1,851</u>	<u>11.1 %</u>	<u>11.2 %</u>
Diluted earnings per share:	\$ 38.71	\$ 0.25	\$ 38.96			\$ 36.23	\$ 0.44	\$ 36.67		

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

(1) 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.

(2) Reflects the loss on divestiture of Grainger's subsidiary, E & R Industrial Sales, Inc. reported in the Company's HTS-N.A. segment completed in the fourth quarter of 2023.

(3) Calculated on the basis of reported net sales for the fourth quarter of 2024 and 2023.

(4) Reflects a tax benefit related to the restructuring costs incurred in the second quarter of 2024. The reported effective tax rates for FY 2024 and FY 2023 were 23.0% and 23.9%, respectively. The adjusted effective tax rates for FY 2024 and FY2023 were 23.0% and 23.8%, respectively.

(5) The Company has a controlling ownership interest in MonotaRO, with the residual representing noncontrolling interest.

# GAAP to Non-GAAP Reconciliations

## Key metrics for the period ended December 31, 2024

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

Net Leverage Ratio	As of December 31, 2024
Total debt	\$ 2,778
Debt issuance costs — net of amortization	22
Cash and cash equivalents	(1,036)
Net debt	<u>\$ 1,764</u>
	<b>LTM<sup>(1)</sup> ended December 31, 2024</b>
Net earnings	\$ 1,989
Other expense — net	53
Income tax provision	595
Depreciation and amortization	237
EBITDA	<u>\$ 2,874</u>
Restructuring <sup>(2)</sup>	16
Adjusted EBITDA	<u>\$ 2,890</u>
Net leverage ratio	<u>0.61x</u>

Free Cash Flow (FCF)	Three months ended December 31, 2024
Cash flows provided by operating activities	\$ 428
Capital expenditures	(258)
Free cash flow	<u>\$ 170</u>

Adjusted Return on Invested Capital (ROIC)	Twelve months ended December 31, 2024
Reported operating earnings	\$ 2,637
Restructuring <sup>(2)</sup>	16
Adjusted operating earnings	<u>\$ 2,653</u>

	Q4'24	Q3'24	Q2'24	Q1'24	Q4'23
Total assets <sup>(3)</sup>	\$ 8,829	\$ 8,617	\$ 8,352	\$ 8,400	\$ 8,147
Cash equivalents <sup>(3)</sup>	(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	(1,738)	(1,837)	(1,838)	(1,871)	(1,761)
Net working assets	<u>\$ 6,764</u>	<u>\$ 6,337</u>	<u>\$ 6,278</u>	<u>\$ 6,253</u>	<u>\$ 6,235</u>
Average net working assets	<u>\$ 6,373</u>				
Adjusted ROIC	<u>41.6 %</u>				

Operating Margin	FY 2024		
	HTS-N.A.	EA	Total Company
Reported %	17.4 %	8.3 %	15.4 %
Restructuring <sup>(2)</sup>	0.1 %	—	0.1 %
Adjusted %	<u>17.5 %</u>	<u>8.3 %</u>	<u>15.5 %</u>

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

(1) Last twelve months.

(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.

(3) The third quarter of 2024 excludes the proceeds received from the Company's debt issuance for comparability between previous quarters.

# IR Contacts

**Kyle Bland**

Vice President, Investor Relations

**Andrew Ansay**

Director, Investor Relations

[InvestorRelations@grainger.com](mailto:InvestorRelations@grainger.com)

