



**Investor Relations
February Monthly Sales
March 11, 2016**

Hi, this is Bill Chapman, Senior Director of Investor Relations for Grainger. Thank you for accessing this recorded message with information regarding Grainger's February 2016 daily sales results.

This podcast is supplemented by our February sales release issued today, March 11th, and other information available on our Investor Relations website. This material contains forward looking statements that are based on our current view of the competitive market and the overall environment. Future risks and uncertainties could cause our actual results to differ materially. Please see our SEC filings, including our most recent periodic reports filed on Form 10-K and Form 10-Q, which are available on our Investor Relations website, for a discussion of factors that may affect our forward-looking statements.

February 2016 had 21 selling days, one more than last year. For the month of February, daily sales increased 1 percent versus February 2015. These results included a 4 percentage point contribution from the Cromwell acquisition and a 1 percentage point reduction from foreign exchange. Excluding acquisitions and foreign exchange, organic daily sales declined 2 percent driven by a 2 percentage point decline from lower sales of seasonal products, a 2 percentage point decline in price, a 1 percentage point decline from lower sales of Ebola products and a 1 percentage point decline from Canada's deployment of SAP. The decline was partially offset by a 4 percentage point increase in volume.

At a total company level, February sales were in line with our expectations for a soft start to the year, which we provided at the November Analyst Meeting. We saw this in January as well, even though January sales were favorably affected by the timing of the New Year's holiday and a soft December.

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Now let's turn our attention to sales results by segment. As a reminder, monthly sales history is available on the Investor Relations web site along with a summary of selling days by month. Please note that although some of our businesses have a different number of selling days due to local holidays, we use the number of selling days in the United States as the basis for our calculation of daily sales.

I'll begin with our largest segment, the United States. Daily sales for the U.S. segment declined 1 percent, which included a 2 percentage point decline from lower sales of seasonal products, a 2 percentage point decline in price and a 1 percentage point decline from sales of Ebola products, partially offset by a 3 percentage point increase from volume and a 1 percentage point contribution from intercompany sales to Zoro. The decline in sales of seasonal products was due to the unusually warm weather in most of the country this February versus the prior year.

Sales performance by customer end market in February was softer than January, which benefited from the timing of the New Year's holiday, and was as follows:

- Government was up in the mid-single digits;
- Light Manufacturing and Retail were up in the low single digits;
- Heavy Manufacturing, Commercial and Contractors were down in the mid-single digits;
- Resellers was down in the low double digits and
- Natural Resources was down in the low twenties.

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In our Canadian segment, daily sales declined 33 percent in U.S. currency and were down 24 percent in local currency. Daily sales in local currency declined as a result of an estimated 14 percentage point reduction from the SAP deployment on February 1st, which resulted in some expected disruption as we moved through the stabilization period. In addition, the decline was a result of a 13 percentage point decline in volume, partially offset by a 3 percentage point benefit from price. Daily sales to all customer end markets declined. From a geographic standpoint, the SAP deployment affected sales in all provinces. Daily sales in Alberta were down about 33 percent in local currency, whereas sales in all other provinces in aggregate were down 19 percent versus the prior year.

Daily sales for our Other Businesses increased 46 percent in February, consisting of 35 percentage points from Cromwell and 16 percentage points from volume and price, partially offset by a 5 percentage point decline from unfavorable foreign exchange. Sales for MonotaRO in Japan were softer in February versus January, partially due to fewer local selling days.

Turning to March, the month will have 23 selling days, one more than last year. Company daily sales in March to date are running a bit better than February, but please keep in mind that March 2016 contains the Easter holiday, which fell in April last year. Good Friday is on March 25th, a day we are open for business but many of our customers are closed. Volume in Canada is expected to stabilize and return to levels seen before the deployment of SAP.

We plan to report first quarter earnings on Monday, April 18, 2016, at 7:30 a.m. EDT. As a reminder, the first quarter has one extra selling day compared to the first quarter of 2015 but also contains Good Friday as noted above.



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If you have questions about February sales or any upcoming events, please contact Laura Brown, Senior Vice President, Communications and Investor Relations at 847-535-0409, Michael Ferreter, Financial Communications Manager at 847-535-1439 or me at 847-535-0881. Thank you for your interest in Grainger.

Safe Harbor Statement

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 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 our 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 or business strategies; 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 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 release 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.