



**Investor Relations  
August Monthly Sales  
September 13, 2016**

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Hi, this is Laura Brown, Senior Vice President, Communications and Investor Relations for Grainger. Thank you for accessing this recorded message with information regarding Grainger's August 2016 daily sales results.

This podcast supplements our August sales release issued today, September 13th, 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.

August 2016 had 23 selling days, two more than last year. For the month of August, daily sales increased 4 percent versus August 2015. These results included a 3 percentage point contribution from the Cromwell business acquired on September 1st, 2015, and a 1 percentage point increase from favorable foreign exchange. Excluding acquisitions and foreign exchange, organic daily sales were flat consisting of a 1 percentage point contribution from sales of seasonal products offset by a 1 percentage point decline in price. Organic volume was essentially flat.

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.

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I'll begin with our largest segment, the United States. Daily sales for the U.S. segment increased 1 percent, driven by 1 percentage point from sales of seasonal products and 1 percentage point from intercompany sales to Zoro, offset by a 1 percentage point decline in price. Sales performance by customer end market in August was as follows:

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

We saw strong growth in the Government end market in the month, particularly among state and local customers as well as military, where we are benefiting from the implementation of several new contracts. The decline in sales to Heavy Manufacturing customers was primarily driven by continued weakness in the machinery/equipment sector.

In our Canadian segment, daily sales declined 14 percent in U.S. currency and were down 16 percent in local currency, driven by a 18 percentage point decline in volume, partially offset by a 1 percentage point benefit from price and a 1 percentage point benefit from stronger sales of seasonal products. Daily sales to all customer end markets were down in Canada for the month of August. From a geographic standpoint, daily sales in Alberta were down 25 percent in local currency, whereas sales in all other provinces in aggregate were down 12 percent versus the prior year. Sales performance in Canada continues to be

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affected by service disruptions stemming from the change management associated with the conversion to the new IT system.

Daily sales for our Other Businesses increased 42 percent in August, consisting of 25 percentage points from Cromwell, 11 percentage points from volume and price and a 6 percentage point benefit from foreign exchange. Sales in Japan were negatively affected by a difference in the number of local selling days, reversing the benefit we saw in July. Zoro in the United States continued its strong growth and the business in Mexico grew in the mid-teens in local currency. Sales growth for the Other Business was partially offset by lower sales in other Latin American businesses and at Fabory.

Turning to September, the month will have 21 selling days, the same as last year. Company daily sales performance in September to date is currently trending in line with August's organic results, adjusted for the Cromwell acquisition. As a reminder, we anniversaried the Cromwell acquisition on September 1, 2016.

Please mark your calendar for the following upcoming events:

1. On Thursday, September 15th at 9:55 a.m. PDT, DG Macpherson, Chief Operating Officer and incoming Chief Executive Officer will present at the Morgan Stanley 4<sup>th</sup> Annual Laguna Conference in Laguna Beach, CA. This event will be webcast.
2. We plan to report third quarter earnings on Tuesday, October 18th, 2016, at 7:30 a.m. EDT.

If you have questions about August sales or any upcoming events, please contact Bill Chapman, Senior Director of Investor Relations at 847-535-0881; or



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me at 847-535-0409. Michael Ferreter, Senior Manager of Investor Relations is out of the office today. 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” based on our current view of the competitive market and the overall environment. Factors that could cause our actual results to differ materially from those statements include, among other risks and uncertainties, a major loss of customers or suppliers, competitive pressures, legal proceedings, changes in laws and regulations, general economic, industry or market conditions, technological or operational disruptions, natural and other catastrophes and other factors that can be found in our filings with the Securities and Exchange Commission, including our most recent Forms 10-K and 10-Q, which are available on our Investor Relations website. We disclaim any obligation to update or revise any forward-looking statement, except as required by law.