February 2017

W.W. Grainger, Inc.

Forward looking statement

All statements in this presentation, 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, our ability to operate, integrate and leverage acquired businesses 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.

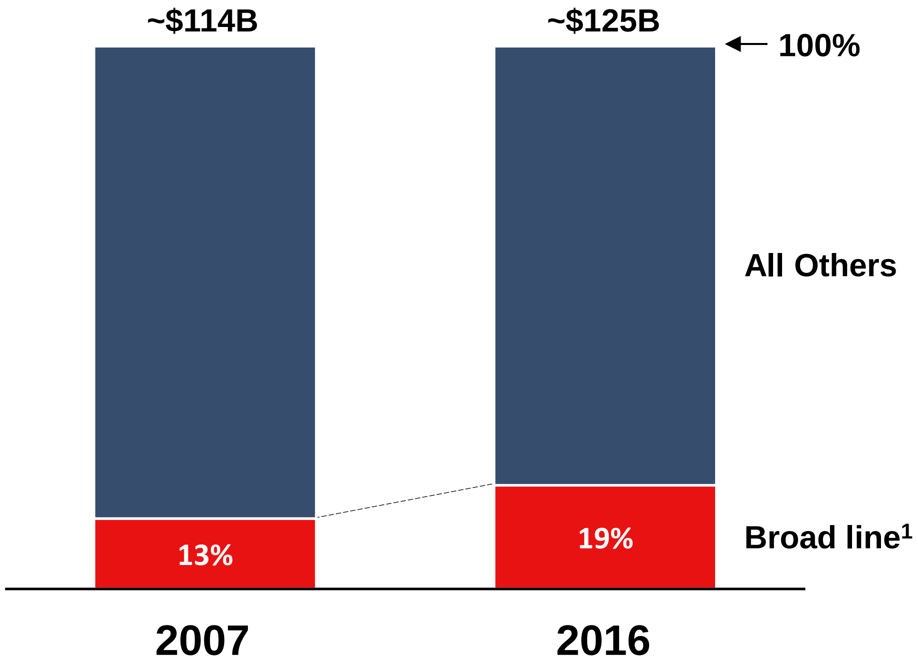
Who we are

- Leading distributor of MRO products for business:
  - Motors
  - Safety
  - Power transmission
  - Test instruments
  - Lab supplies
  - Power tools
  - Outdoor equipment
  - Janitorial supplies
- 2016 revenues of $10.1 billion
- 3 million active customers, average customer invoice >$300
- eCommerce leadership
  - First commerce-enabled website in the industry (1996)
  - Online-only businesses for small customers (MonotaRO 2000; Zoro 2010)
  - ~60% of sales initiated through digital channels including Grainger.com, KeepStock and EDI/ePro
- Strong balance sheet and cash flow generation
- Management breadth and depth
  - DG Macpherson, CEO: affiliated with Grainger 16 years
  - Ron Jadin, CFO: 17 years at Grainger

Broad line MRO continues to be an attractive space

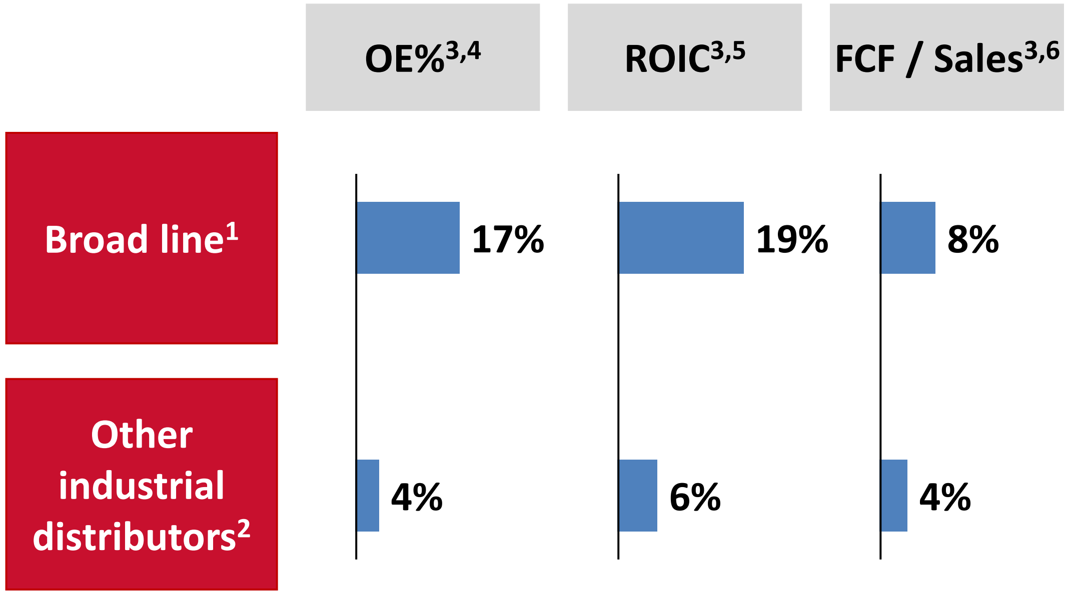
Fragmented market with broad line players taking share

US MRO market share
2007 - 2016



Broad liners more profitable vs. other distributors

2016 financials – broad line vs. other industrial distributors



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1. Broadliners shown here include GWW, Fastenal, MSC, McMaster Carr, HDS-FM. Note that ROIC and FCF to Sales data is not available for HDS-FM and McMaster Carr. 2. All other industrial distributors include AIT, WCC, DXPE, Graybar, MRC, AXE. 3. LTM as of 12/3/16 for MSC and 9/30/16 for DXPE, Graybar, MRC, AXE. 4. Aggregated OE% across set of companies (total OE $ / total sales $). Note: Adjusted OE% for GWW. 5. ROIC based on Cap IQ definition: EBIT*(1-0.375)/(2016 Capital + 2015 Capital /2). Capital defined as Common/Preferred Equity + Minority Interest+ S-T debt + current portion of L-T debt + L-T debt. 6. FCF based on Capital IQ definition of Unlevered FCF.

We have changed with customer shifts

2006

Single demand generation paradigm

Customers come to us

Orders originated largely via branch and phone

Fulfillment via branch and shipping

Today

Segmented demand generation to target verticals and different size customers

We serve customers at their place of business

ePRO

KeepStock

Orders originated largely online

ePRO

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KeepStock

Fulfillment dominated by shipping

We have five distinct businesses

	2016 Revenue	2016 Rev Growth	2016 OE%[1]	2016 ROIC[1]
U.S. Large	$6.1B	(1%)	15–20%	40–45%
U.S. Medium	$0.9B	(11%)	25–30%	
Single channel	$1.0B	~35%	~10%	~50%[2]
Canada	$0.7B	(18%)	(6%)	(7%)
International	$0.8B	~35%[3]	0–5%	<10%
TOTAL COMPANY[4]:	$10.1B	~2.0%	~12.5%	~26%

1. OE% and ROIC are on adjusted basis. See footnote on slide 16. 2. ROIC shown is for MonotaRO, which serves as a proxy for the overall single channel business. 3. International includes eight months of Cromwell acquisition. 4. Total company also includes Specialty Brands, eliminations and unallocated expenses.

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Strategic priorities

	U.S. Large	U.S. Medium	Single channel	Canada	International
Unique value for different customers	Grow spot-buy volume via relevant pricing and digital capabilities		Continue to build online model	Turn around business	Optimize portfolio for profitable growth
	Grow with large, complex customers	Re-engage mid-sized customers			
Effortless customer experience	Improve the end-to-end experience for our customers				
Reduce cost	Reduce cost structure throughout the company				
Help each other grow and succeed	Instill leadership behaviors and ensure focus on team member development and engagement				
Responsible stewards	Maintain highest standards of ethics and integrity				

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U.S. business

Size (MRO potential in $ / year)	Part of a multisite contract	Single-site/ local	Total
Large *(>$60K)*	*$4.3B*	*$1.1B*	*~$5.4B*
Medium *($10-60K)*	*$0.7B*	*$0.6B*	*~$1.3B*
Small *(<$10K)*	*$0.1B*	*$0.3B*	*~$0.4B*

Represents 2016 revenue[1]

U.S. Large:

- Focused on sites with **>$60,000** in MRO potential or part of a multisite contract
- Largest business at Grainger with healthy profitability
  - GP%: 40-45%
  - OE%: 15-20%

U.S. Medium:

- Focused on single-site customers with **<$60,000** in MRO potential
- Modest-sized business with high profitability
  - GP%: 50-55%
  - OE%: 25-30%

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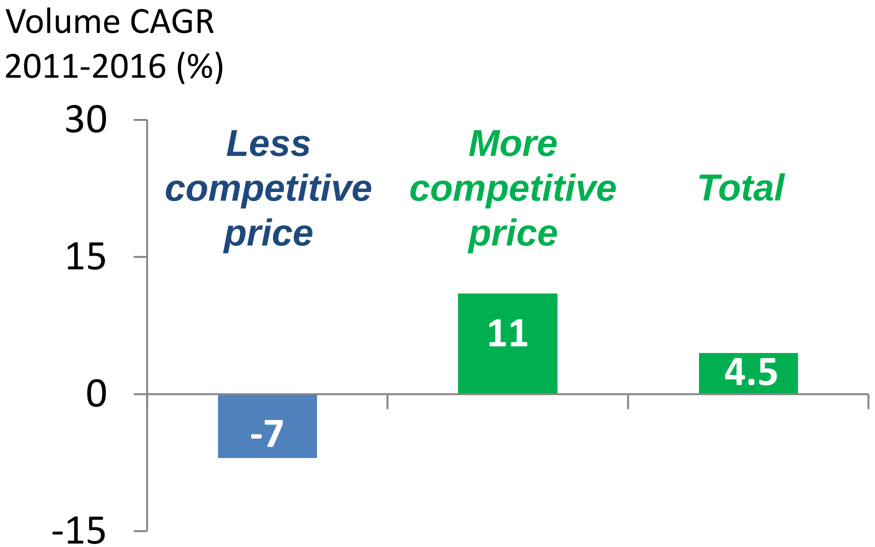
1. Multichannel only. Does not include Zoro and Specialty Brands.

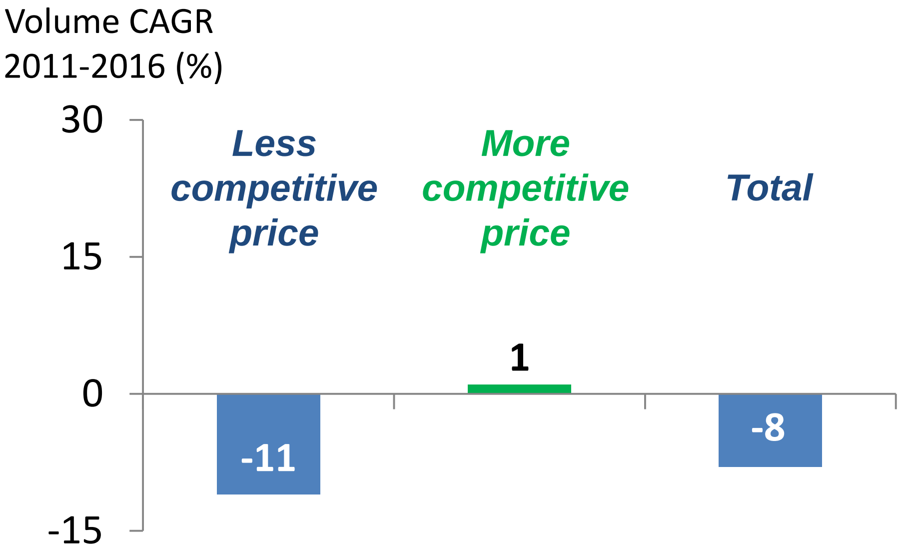
Pricing dynamic impeding growth with large and medium customers

U.S. Large customers



% of total	23	77	**100**

U.S. Medium customers



% of total	64	36	**100**

- **U.S. Large**: Began introducing market-based pricing into contracts 18 months ago.
- **U.S. Medium**: Program launched in 2015. Added inside sales model mid-2016.

Pricing actions in 2017

Pricing Actions

- Adjust list prices on products that were either significantly overpriced or underpriced relative to market
- Offer deeper discounts with U.S. Large contract customers to grow higher margin spot buy volume
- Phase in new web price points on high volume products
- Offer Red Pass Plus subscription program (better price with freight offer) to U.S. Medium customers
- Phase in higher prices in Canada to offset FX-driven COGS inflation and reverse gross margin contraction

Expectations

First Quarter

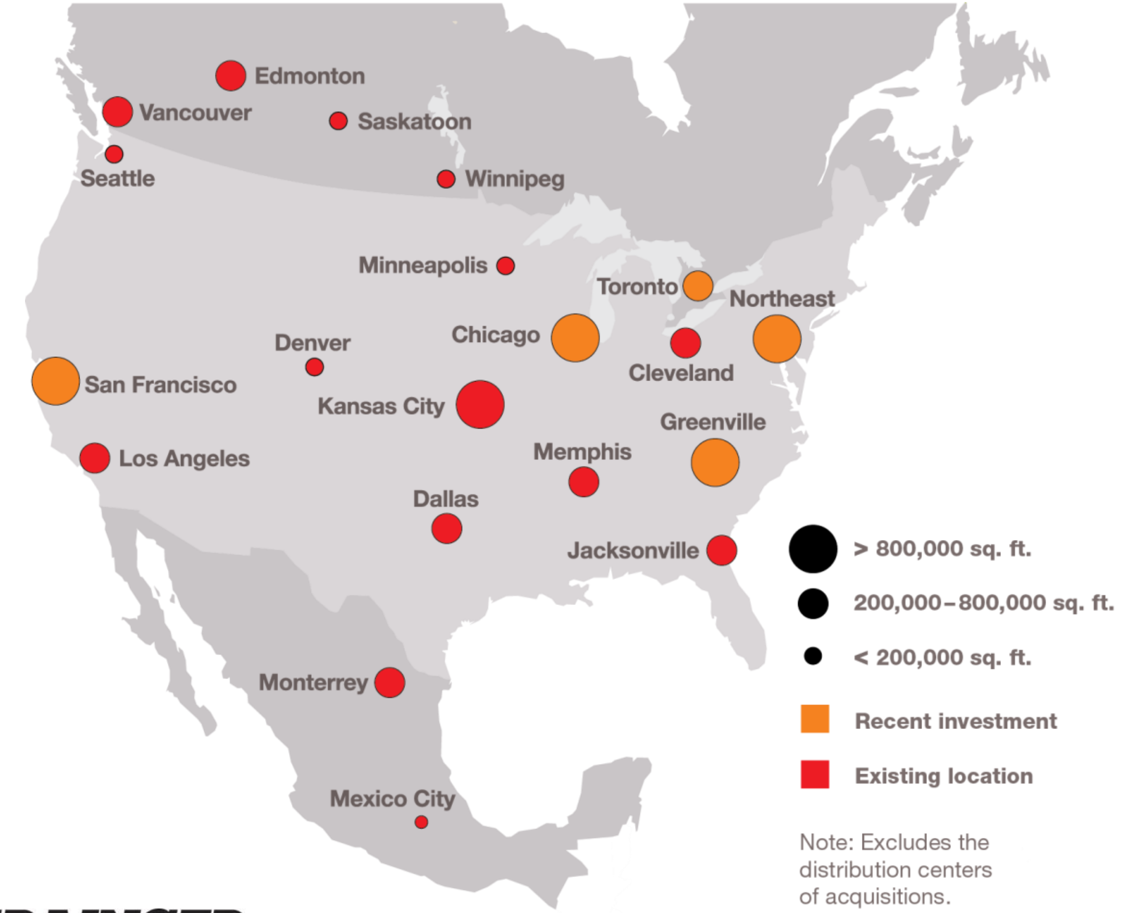
- Price deflation >1%
- Gross profit margin down 80 to 130 bps

Full Year

- Price deflation of 1%
- Gross profit margin down 40 to 70 bps

Supply Chain: Industry-leading B2B supply chain

North American distribution network



Note: Excludes the distribution centers of acquisitions.

Unmatched Service

- Best-in-class availability on large assortment that is continually increasing and evolving
- Network designed to ship complete and deliver quickly
- Capability to provide specialized documentation and delivery options for large, complex customers
- Breadth and flexibility to support multiple businesses and channels

Strong Productivity

- Automation that reduces cost per line and improves safety
- Standardization across the network

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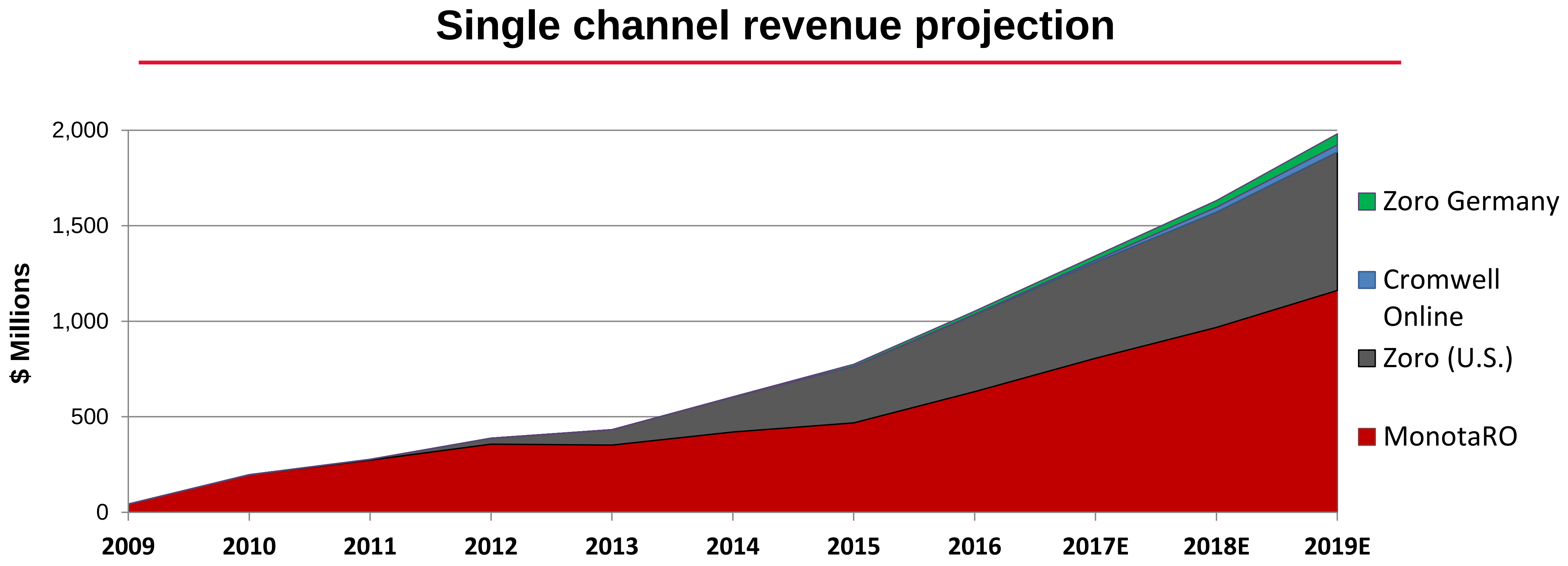
FOR THE ONES WHO GET IT DONE

Single channel model expected to grow to ~$2B by 2019



- MonotaRO operating earnings of 13.1% in 2016, accretive to company average
- Zoro U.S. operating margin improved in 2016 to 7.4%
- Continued operating margin expansion expected along with strong revenue growth

Canada: Repositioning the business to deliver sustainable growth

2014-15: Investment	2016: Stabilization	2017: Growth
• SAP	• Direct to customer fulfillment path	• Price increase
• Toronto DC	• SAP transition	• Customer diversification
• Warehouse management system	• Business restructuring	• New eCommerce platform
		• Build stocked assortment

- Grow share in high opportunity areas of Canada
- Leverage Grainger U.S. scale and expertise
- Deliver a business less susceptible to market volatility

International portfolio

- Focus on optimizing portfolio for profitable growth
- Portfolio includes: U.K. (Cromwell), Netherlands (Fabory), Mexico, Latin America, China
- Spotlight on Cromwell:
  - **eCommerce**: New website launched March 2016
  - **Supply Chain**: Distribution center redesign underway to improve service, increase capacity and improve productivity

Grainger over the next three years

Today

- **Share gains driven by U.S. Large customers and single channel online model**

- **Multichannel company with strong digital capability**
- **Competitively advantaged product offer and delivery performance**

- **Operating earnings contraction driven by gross profit pressure**
- **Strong free cash flow growth**

Over the Next Three Years

Creating unique value for a broader set of customers
- Stronger volume growth across more customer types and geographies

Improved customer experience
- Competitively advantaged product offer and delivery performance
- Leading digital experience
- Simplified pricing

Improved financials
- Operating earnings expansion driven by stable gross profit margins, SG&A leverage
- Strong free cash flow growth

2017 guidance

	LOW	MID-PT	HIGH
Sales $B	$ 10.4	$ 10.6	$ 10.8
EPS	$ 11.30	$ 11.85	$ 12.40
Sales growth	2%	4%	6%
Op Earn growth	-4%	0%	4%
EPS growth	-2%	3%	7%
Op Margin %	11.7%	11.9%	12.2%
Op Margin % vs PY	(80) bps	(55) bps	(30) bps

- Mid-single digit revenue growth on modest improvement in MRO market and share
- Operating margin declines 55 bps at midpoint due to lower gross profit rate, productivity offset by restoring incentive compensation to target and NEDC start-up

Note: As of 1/25/17. Financials are adjusted to exclude special items that the company believes are not indicative of ongoing operations, providing better comparability to prior periods, as reported in our press release and 10-Q's. Comments frequently reference midpoint of guidance rather than the complete range for simplicity.

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Revenue growth drivers

	2016	2017E LOW	2017E HIGH
Single Channel Share	3 %	2	3 %
U.S. Multichannel Share	1	1	2
Canada/Other Bus. Share	(1)	1	1
Total Share Gain	3	4	6
MRO Market	(2)	(1)	1
Market & Share Gain	1	3	7
Price	(2)	(1)	(1)
Organic Growth	(1)	2	6
Acquisitions	3	0	0
Total	2 %	2	6 %

- Organic growth improves to 4% at midpoint
- Price deflation improves on targeted U.S. increases, broader increases in Canada, partially offsetting pricing actions
- Single channel model continues strong growth
- U.S. Large share expands modestly and Medium share stabilizes
- Canada/Other Businesses improve to 1% growth in 2017

Note: As of 11/11/16.

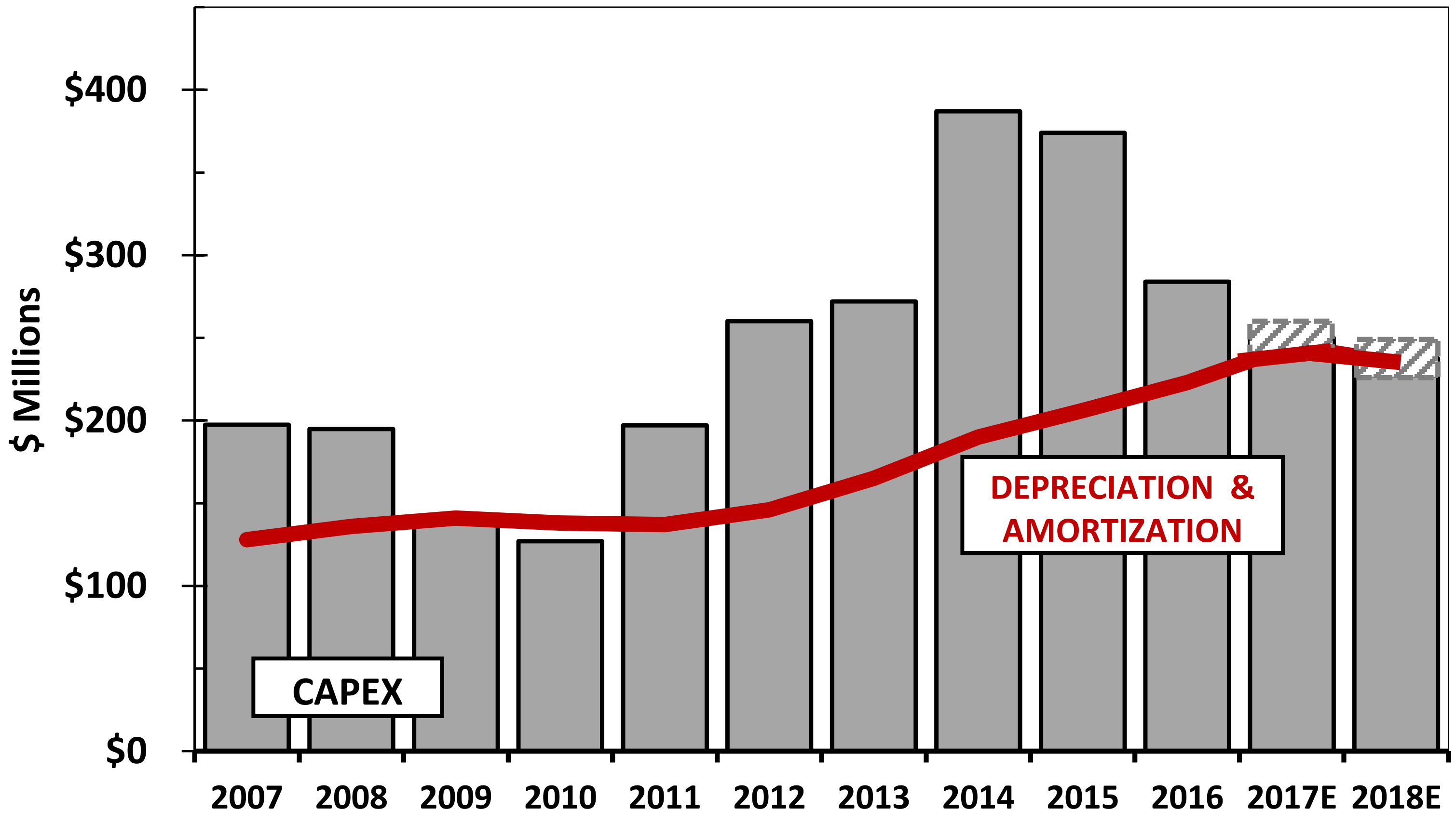
Sources and uses of cash

	2017E	
$ Millions	LOW	HIGH
Op Cash Flow	**$ 910**	**$ 1,010**
LT Bonds	**$ 400**	**$ 400**
Other	**$ 90**	**$ 110**
Sources	**$ 1,400**	**$ 1,520**
Cap Ex	**$ 250**	**$ 275**
Share Repurchases	**$ 600**	**$ 600**
Dividends	**$ 295**	**$ 295**
Other Debt	**$ 255**	**$ 350**
Uses	**$ 1,400**	**$ 1,520**

- High cash returns to shareholders
- Capital expenditures and depreciation expense converge in 2017
- Deferring $200M in share repurchase from 2017 to reduce short-term debt
- Expected 2017 dividend increase offset by lower share count

Note: As of 11/11/16.

Capital spending versus depreciation & amortization

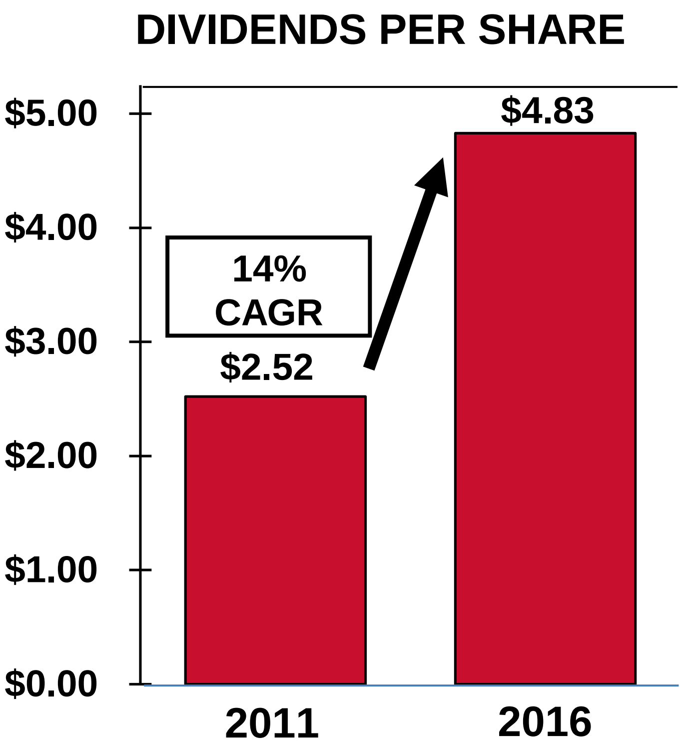


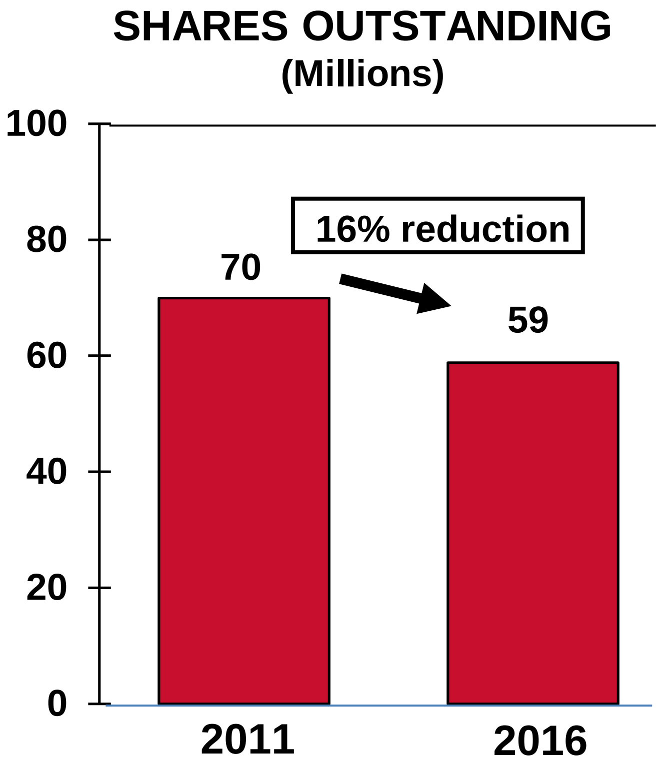
Depreciation & Amortization:

- Lags CapEx cash outflows
- Peaks in 2017 and equals CapEx

Note: As of 1/25/17. CapEx = gross

Dividends and shares outstanding





- 2016 was the 45th consecutive year of increased dividends; GWW is among only 3% of S&P 500 companies that have increased its dividend each year for more than four decades
- Mid-teens share reduction accelerated by share repurchase program

Note: As of 1/25/17.

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