Grainger Provides Additional Detail on Non-Controlling Interest in Investment
July 20, 2015

In the second quarter earnings release of July 17, Grainger announced an investment in a limited liability company established to produce clean energy. Based on follow-up calls with analysts and their desire to learn more about the investment, Grainger is sharing the additional information below.

In May 2015, Grainger acquired a majority non-controlling interest in a limited liability company established to produce refined coal, which is then sold to a utility to produce electricity. The remaining interest is held by an investor that manages day-to-day operations and is a leading owner-operator in the field. The production and sale of refined coal that results in required emission reductions is eligible for renewable energy tax credits under Section 45 of the Internal Revenue Code. Grainger receives tax credits in proportion to its equity interest.

This venture involved considerable due diligence with outside experts related to an established refining process. As an equity investor, Grainger is exposed to downside risk as well as upside potential. The duration of the investment goes into early 2019. Per review by Grainger's external advisors, the interest is non-controlling and the entity is not consolidated for financial reporting purposes.

As shared in the July 17 earnings release and podcast, the benefit to the quarter was $0.09 earnings per share, which is also the expected full-year benefit. Since the investment began in May, it is modestly cash flow positive.