



**1Q17 Earnings Release Supplement
April 18, 2017**

Note: The adjusted analysis below excludes the effect of restructuring items in 2017 and 2016.

Adjusted Quarterly Results

(\$ in millions)	Q1 2017	Q1 2016	% vs. PY
Sales	\$ 2,541	\$ 2,507	1%
GP	1,019	1,048	-3%
Op Expense	729	712	2%
Op Earnings	\$ 290	\$ 337	-14%
EPS	\$ 2.88	\$ 3.18	-9%

(% of sales)	Q1 2017	Q1 2016	bps vs. PY
GP Margin	40.1%	41.8%	(170)
Op Expense	28.7%	28.4%	30
Op Margin	11.4%	13.4%	(200)

Quarterly Sales

Q1 2017 Sales vs. Q1 2016

	Company	United States	Canada	Other Businesses
Volume	5%	4%	4%	15%
Price	-3%	-4%	-2%	
Seasonal	-1%	-1%	0%	
Holiday timing	0%	0%	-1%	
Intercompany sales	n/a	0%	0%	
Foreign exchange	0%	n/a	3%	-3%
Change vs. Prior	1%	-1%	4%	12%
% of Company Revenue	100%	73%	7%	20%

Note: 64 selling days in both quarters

Q1 2017 Daily Sales by Month

	Company	United States	Canada	Other Businesses
January	-2%	-3%	-2%	5%
February	3%	0%	20%	13%
March	3%	1%	-2%	17%
Q1	1%	-1%	4%	12%

U.S. Sales by Customer End Market:

- Government was up in the low single digits;
- Heavy Manufacturing was flat;
- Commercial, Light Manufacturing, Reseller, Natural Resources and Retail were down in the low single digits;
- Contractor was down in the mid-single digits.

Segment Operating Performance (Adjusted)

(\$ in millions)	United States		Canada		Other Businesses	
	Q1 2017	% vs. PY	Q1 2017	% vs. PY	Q1 2017	% vs. PY
Sales	\$ 1,953	-1%	\$ 186	4%	\$ 497	12%
Op Earnings	306	-12%	-16	-69%	32	45%
Op. Margin	Q1 2017 15.7%	bps vs. PY (200)	Q1 2017 -8.4%	bps vs. PY (320)	Q1 2017 6.3%	bps vs. PY 140

2017 Guidance Midpoints – as of April 18, 2017

	January 25, 2017	Illustrative (before price acceleration)	April 18, 2017 (with pricing acceleration)
Sales (\$ billions)	\$10.6	\$10.5	\$10.4
% vs. prior year	4%	3%	2.5%
GP Margin	40.2%	39.6%	39.1%
bps vs. prior year	(55)	(115)	(160)
Op. Margin	11.9%	11.4%	10.7%
bps vs. prior year	(55)	(115)	(170)
EPS	\$11.85	\$11.45	\$10.65
	\$11.30 ^a	\$11.32 ^b	

a) Low end of January guidance range

b) Excludes \$0.13 benefit from accounting change noted in release

Note: Guidance as of April 18, 2017, includes 13 cents of benefit from the accounting change ASU 2016-09 realized in the first quarter but does not include any effect for the remainder of the year.

2017 Sales Guidance

	<u>January 25, 2017</u>	<u>April 18, 2017</u>
Single Channel Share	2% - 3%	2% - 3%
U.S. Multichannel Share	1% - 2%	2% - 3%
Canada/Other Bus. Share	1%	1%
Total Share Gain	4% - 6%	5% - 7%
MRO Market	(1)% - 1%	1% - 2%
Market & Share Gain	3% - 7%	6% - 9%
Price	(1)%	(4)%
Organic Growth	2% - 6%	2% - 5%
Foreign Exchange	0%	(1)%
Company Sales	2% - 6%	1% - 4%

Segment Long Term Operating Margin Guidance

	<u>2017E</u>	<u>2019E</u>
United States	14% - 15%	15% - 16%
Canada	(6)% - (4)%	2% - 4%
Other Businesses	6% - 7%	8 - 10%
Company	10% - 11%	12% - 13%

Note: Company includes unallocated expenses and eliminations.

Selling Days: 2017 vs. 2016

<u>Month</u>	<u>2017</u>	<u>2016</u>	<u>Difference</u>
January	21	20	1
February	20	21	-1
March	<u>23</u>	<u>23</u>	<u>0</u>
1Q	64	64	0
April	20	21	-1
May	22	21	1
June	<u>22</u>	<u>22</u>	<u>0</u>
2Q	64	64	0
July	20	20	0
August	23	23	0
September	<u>20</u>	<u>21</u>	<u>-1</u>
3Q	63	64	-1
October	22	21	1
November	21	21	0
December	<u>20</u>	<u>21</u>	<u>-1</u>
4Q	63	63	0
Full Year	254	255	-1

Branch Exhibit

First Quarter 2017 Branch Summary					
	Branches			Branches	Distribution
	12/31/2016	Opened	Closed	3/31/2017	Centers
					3/31/2017
United States	284	0	0	284	18
Canada	151	0	0	151	5
Other Businesses					
Fabory	70	0	0	70	2
Mexico	18	0	0	18	2
Cromwell	62	0	0	62	1
Colombia	6	0	0	6	1
China	0	0	0	0	1
Puerto Rico	5	0	0	5	0
Dominican Republic	1	0	0	1	0
Japan	0	0	0	0	2
Brazil	0	0	0	0	1
Peru	1	0	0	1	0
Total Other Businesses	163	0	0	163	10
Total	598	0	0	598	33

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; the implementation, timing and success of our strategic pricing initiatives; 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; changes in credit ratings; changes in effective tax rates 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 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.

Non-GAAP Reconciliation

The reconciliations provided below reconcile the non-GAAP financial measures adjusted operating earnings, adjusted segment operating earnings, adjusted net earnings and adjusted diluted earnings per share with GAAP financial measures:

	<u>Three Months Ended March 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>%</u>
Operating earnings reported	\$ 295,488	\$ 317,092	(7)%
Restructuring (United States)	(6,322)	16,407	
Restructuring (Canada)	1,087	3,077	
Subtotal	<u>(5,235)</u>	<u>19,484</u>	
Operating earnings adjusted	<u>\$ 290,253</u>	<u>\$ 336,576</u>	(14)%

	<u>Three Months Ended March 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>%</u>
Segment operating earnings adjusted			
United States	306,148	348,264	
Canada	(15,642)	(9,270)	
Other Businesses	31,507	21,783	
Unallocated expense	<u>(31,760)</u>	<u>(24,201)</u>	
Segment operating earnings adjusted	<u>\$ 290,253</u>	<u>\$ 336,576</u>	(14)%
Company operating margin adjusted	11.4 %	13.4 %	
ROIC* for Company	24.2 %	27.1 %	
ROIC* for United States	39.2 %	44.4 %	
ROIC* for Canada	(11.5)%	(6.2)%	

*Adjusted ROIC is calculated as defined on page 8 of the press release, excluding the items adjusting operating earnings as noted above.

	Three Months Ended March 31,		
	2017	2016	%
Net earnings reported	\$ 174,744	\$ 186,713	(6)%
Restructuring (United States)	(3,959)	10,268	
Restructuring (Canada)	803	2,262	
Subtotal	(3,156)	12,530	
Net earnings adjusted	<u>\$ 171,588</u>	<u>\$ 199,243</u>	(14)%
Diluted earnings per share reported	\$ 2.93	\$ 2.98	(2)%
Pretax adjustments:			
Restructuring (United States)	(0.11)	0.26	
Restructuring (Canada)	0.02	0.05	
Total pretax adjustments	(0.09)	0.31	
Tax effect (1)	0.04	(0.11)	
Total, net of tax	(0.05)	0.20	
Diluted earnings per share adjusted	<u>\$ 2.88</u>	<u>\$ 3.18</u>	(9)%

(1) The tax impact of adjustments is calculated based on the income tax rate in each applicable jurisdiction.