



**Investor Relations  
May Monthly Sales  
June 12, 2014**

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Good morning, this is Bill Chapman, Senior Director of Investor Relations for Grainger. Thank you for accessing this recorded message with information regarding Grainger's May 2014 sales results.

I'll begin by reminding you that certain statements and projections of future results made in this webcast constitute forward-looking information. This information is based on current expectations of market conditions and competitive and regulatory environments and involves risk and uncertainty. Please see our 2013 Form 10-K for a discussion of factors as they relate to forward-looking statements.

May 2014 had 21 selling days, one less than May 2013. For the month of May, total company daily sales increased 6 percent versus May 2013, including 2 percentage points from acquisitions, net of dispositions, and a 1 percentage point decline from unfavorable foreign exchange primarily related to the weakness in the Canadian dollar. Excluding acquisitions and foreign exchange, total company organic daily sales increased 5 percent, driven by 6 percentage points from volume partially offset by a 1 percentage point decline from lower sales of seasonal products.

Now let's turn our attention to sales results by segment. As a reminder, monthly sales history by reporting segment for the prior 2 years 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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In our largest segment, the United States, daily sales increased 8 percent, consisting of 7 percentage points from volume and 2 percentage points from acquisitions, net of dispositions, partially offset by a 1 percentage point decline from lower sales of seasonal products.

For our customer end markets in the United States, daily sales performed as follows:

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

In our Canadian segment, daily sales decreased 7 percent in U.S. currency and were down 1 percent in local currency, consisting of flat volume and a 1 percentage point decline from lower sales of seasonal products. Declines in the Oil and Gas, Construction, Light Manufacturing, Agriculture, Government, Retail and Reseller customer end markets offset growth to customers in the Commercial, Utilities, Heavy Manufacturing, Forestry and Transportation end markets. Results for this business continue to be affected by macroeconomic weakness in Canada.



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Daily sales for our Other Businesses increased 16 percent in May. This growth consisted of 18 percentage points from volume and price, partially offset by a 2 percentage points decline from unfavorable foreign exchange. The majority of the growth came from our online businesses, MonotaRO in Japan and Zoro in the United States.

Looking ahead, June will have 21 selling days, one more than June of last year. Daily sales growth so far in June is running in line with the growth in May. At two recent conferences, we reaffirmed 2014 sales growth of 5 to 9 percent and EPS guidance of \$12.10 to \$12.85. In addition, we provided a closer look at our expectations for operating margins in the second quarter and the back half of the year. For your convenience, we have included the guidance information in the exhibit of this podcast.

Please mark your calendar for second quarter earnings scheduled to be released on Thursday, July 17 at 7:30 a.m. EDT.

If you have any questions, please contact Laura Brown, Senior Vice President, Communications and Investor Relations at 847-535-0409, Casey Darby, Senior Manager of Investor Relations at 847-535-0099 or me at 847-535-0881. Thank you for your interest in Grainger.

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**Exhibit 1  
 2014 Guidance**

	<u>Q1 Actual</u>	<u>Q2 Estimate</u>	<u>H2 Estimate</u>	<u>FY Estimate</u>
<b>Revenue growth</b>	5%	5% to 9%	5% to 9%	5% to 9%
<b>Op Margin</b>	14.9%	13.7% to 14.2%	14.0% to 14.5%	14.2% to 14.6%
<b>OM expansion (bps)</b> (year / year)	-20	-50 to -100	+60 to +100	+10 to +40

*Sequential comparisons of operating margin rates (at midpoint):*

Q2 14.0% vs. Q1 14.9%

- Annual price increase in Q1 accelerated one month, doesn't repeat
- SAP Americas investment ramp up, single instance decision
- New Toronto DC transition costs

H2 14.3% vs. Q2 14.0%

- Q2 lower due to SAP Americas and DC transition

Note: As of 6/10/2014