

GRAINGER W W INC  
Form 10-Q  
October 29, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-5684

W.W. Grainger, Inc.  
(Exact name of registrant as specified in its charter)

Illinois 36-1150280  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

100 Grainger Parkway, Lake Forest, Illinois 60045-5201  
(Address of principal executive offices) (Zip Code)  
(847) 535-1000  
(Registrant's telephone number including area code)

Not Applicable  
(Former name, former address and former fiscal year; if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

There were 62,788,526 shares of the Company’s Common Stock outstanding as of September 30, 2015.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

## W.W. Grainger, Inc. and Subsidiaries

## CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands of dollars, except for share and per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net sales	\$2,532,900	\$2,562,263	\$7,495,126	\$7,453,994
Cost of merchandise sold	1,471,021	1,459,479	4,266,073	4,194,553
Gross profit	1,061,879	1,102,784	3,229,053	3,259,441
Warehousing, marketing and administrative expenses	721,150	717,271	2,180,359	2,178,838
Operating earnings	340,729	385,513	1,048,694	1,080,603
Other income and (expense):				
Interest income	464	630	934	1,684
Interest expense	(13,899)	) (2,377	) (19,719	) (7,997
Loss from equity method investment	(5,972)	) —	(10,273	) —
Other non-operating income	225	87	950	431
Other non-operating expense	(2,100)	) (1,218	) (4,814	) (2,048
Total other expense	(21,282)	) (2,878	) (32,922	) (7,930
Earnings before income taxes	319,447	382,635	1,015,772	1,072,673
Income taxes	122,825	149,585	379,769	411,491
Net earnings	196,622	233,050	636,003	661,182
Less: Net earnings attributable to noncontrolling interest	4,421	2,728	12,239	8,292
Net earnings attributable to W.W. Grainger, Inc.	\$192,201	\$230,322	\$623,764	\$652,890
Earnings per share:				
Basic	\$2.94	\$3.33	\$9.33	\$9.42
Diluted	\$2.92	\$3.30	\$9.24	\$9.30
Weighted average number of shares outstanding:				
Basic	64,720,037	68,296,018	66,188,236	68,481,681
Diluted	65,289,144	69,111,945	66,849,766	69,375,083
Cash dividends paid per share	\$1.17	\$1.08	\$3.42	\$3.09

The accompanying notes are an integral part of these financial statements.

W.W. Grainger, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

(In thousands of dollars)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net earnings	\$ 196,622	\$ 233,050	\$ 636,003	\$ 661,182
Other comprehensive earnings (losses):				
Foreign currency translation adjustments:				