

GRAINGER W W INC  
Form 10-Q  
May 01, 2014

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 March 31, 2014  
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

Edgar Filing: GRAINGER W W INC - Form 10-Q

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 68,430,856 shares of the Company’s Common Stock outstanding as of March 31, 2014.

1

---

TABLE OF CONTENTS		Page No.
PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Statements of Earnings for the Three Months Ended March 31, 2014 and 2013	<u>3</u>
	Condensed Consolidated Statements of Comprehensive Earnings for the Three Months Ended March 31, 2014 and 2013	<u>4</u>
	Condensed Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013	<u>5</u>
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2014 and 2013	<u>7</u>
	Notes to Condensed Consolidated Financial Statements	<u>8</u>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>12</u>
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	<u>18</u>
Item 4.	Controls and Procedures	<u>18</u>
PART II	OTHER INFORMATION	
Item 1.	Legal Proceedings	<u>18</u>
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	<u>19</u>
Item 6.	Exhibits	<u>19</u>
	Signatures	<u>20</u>
	EXHIBITS	

## 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	
	March 31,	
	2014	2013
Net sales	\$2,385,627	\$2,280,435
Cost of merchandise sold	1,309,656	1,248,699
Gross profit	1,075,971	1,031,736
Warehousing, marketing and administrative expenses	721,632	688,431
Operating earnings	354,339	343,305
Other income and (expense):		
Interest income	640	898
Interest expense	(2,863	) (3,166
Other non-operating income	167	1,982
Other non-operating expense	(670	) (1,095
Total other expense	(2,726	) (1,381
Earnings before income taxes	351,613	341,924
Income taxes	132,558	127,397
Net earnings	219,055	214,527
Less: Net earnings attributable to noncontrolling interest	2,402	2,689
Net earnings attributable to W.W. Grainger, Inc.	\$216,653	\$211,838
Earnings per share:		
Basic	\$3.11	\$2.99
Diluted	\$3.07	\$2.94
Weighted average number of shares outstanding:		
Basic	68,699,561	69,562,387
Diluted	69,677,438	70,774,614
Cash dividends paid per share	\$0.93	\$0.80

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	
	March 31,	
	2014	2013
Net earnings	\$219,055	\$214,527
Other comprehensive earnings (losses):		
Foreign currency translation adjustments, net of tax (expense) benefit of \$(2,028) and \$1,529, respectively	(15,120 )	(31,111 )
Derivative instruments, net of tax benefit (expense) of \$2,242 and \$(1,132), respectively	(3,562 )	2,378
Other, net of tax benefit of \$641 and \$292, respectively	(1,032 )	248
Comprehensive earnings, net of tax	199,341	186,042
Comprehensive earnings (losses) attributable to noncontrolling interest	3,881	(4,078 )
Comprehensive earnings attributable to W.W. Grainger, Inc.	\$195,460	\$190,120

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

W.W. Grainger, Inc. and Subsidiaries  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In thousands of dollars, except for share and per share amounts)

	(Unaudited) Mar 31, 2014	Dec 31, 2013
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$375,564	\$430,644
Accounts receivable (less allowances for doubtful accounts of \$20,820 and \$20,096, respectively)	1,159,556	1,101,656
Inventories – net	1,266,460	1,305,520
Prepaid expenses and other assets	121,177	115,331
Deferred income taxes	64,559	75,819
Prepaid income taxes	8,348	15,315
Total current assets	2,995,664	3,044,285
<b>PROPERTY, BUILDINGS AND EQUIPMENT</b>	2,886,009	2,941,090
Less: Accumulated depreciation and amortization	1,675,231	1,732,528
Property, buildings and equipment – net	1,210,778	1,208,562
<b>DEFERRED INCOME TAXES</b>	31,543	16,209
<b>GOODWILL</b>	522,063	525,467
<b>OTHER ASSETS AND INTANGIBLES – NET</b>	474,181	471,805
<b>TOTAL ASSETS</b>	<b>\$5,234,229</b>	<b>\$5,266,328</b>

W.W. Grainger, Inc. and Subsidiaries  
 CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)  
 (In thousands of dollars, except for share and per share amounts)

	(Unaudited) Mar 31, 2014	Dec 31, 2013
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term debt	\$104,167	\$66,857
Current maturities of long-term debt	32,465	30,429
Trade accounts payable	493,915	510,634