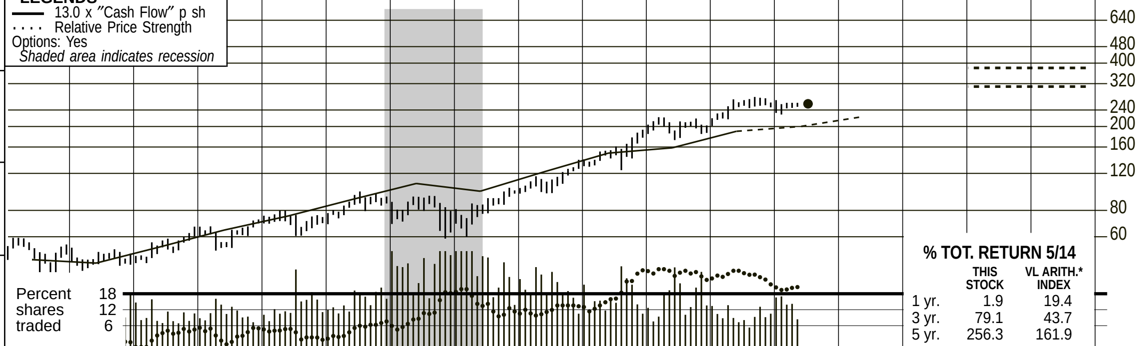
GRAINGER (W.W.) NYSE-GWW

RECENT PRICE 256.10 | P/E RATIO 20.2 (Trailing: 22.0 Median: 17.0) | RELATIVE P/E RATIO 1.08 | DIV'D YLD 1.7% | VALUE LINE

TIMELINESS 3 Raised 4/11/14
SAFETY 1 Raised 4/11/08
TECHNICAL 3 Lowered 7/4/14
BETA .95 (1.00 = Market)

High:	53.3	67.0	72.4	79.9	98.6	94.0	102.5	139.1	193.2	221.8	276.4	269.7
Low:	41.4	45.0	51.6	60.6	68.8	58.9	59.9	96.1	124.3	172.5	201.5	228.2

LEGENDS
— 13.0 x "Cash Flow" p sh
.... Relative Price Strength
Options: Yes
Shaded area indicates recession



Target Price Range
2017 | 2018 | 2019

2017-19 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	380	(+50%)	*12%*
Low	310	(+20%)	*7%*

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	0	0
Options	0	1	1	0	1	1	0	1	0
to Sell	0	2	1	0	1	1	2	2	0

Institutional Decisions

	3Q2013	4Q2013	1Q2014
to Buy	261	261	228
to Sell	209	250	268
Hld's(000)	49438	48351	49487

Percent shares traded 18 12 6

% TOT. RETURN 5/14

	THIS STOCK	VL ARITH.* INDEX
1 yr.	1.9	19.4
3 yr.	79.1	43.7
5 yr.	256.3	161.9

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	© VALUE LINE PUB. LLC	17-19
46.56	48.55	52.99	50.93	50.72	51.27	55.74	61.60	69.99	80.77	91.60	86.09	103.52	115.46	128.82	137.18	***148.55***	***162.95***	Sales per sh	***204.60***
3.40	2.99	3.00	3.37	3.59	3.47	4.14	4.97	5.79	6.95	8.28	7.60	9.40	11.51	12.22	14.61	***15.40***	***17.20***	"Cash Flow" per sh	***23.70***
2.44	1.92	1.86	2.23	2.50	2.46	3.02	3.68	4.07	4.94	6.09	5.25	6.81	9.04	9.52	11.52	***12.70***	***14.45***	Earnings per sh A	***20.20***
.59	.63	.67	.70	.72	.74	.79	.92	1.11	1.34	1.55	1.78	2.08	2.52	3.06	3.59	***4.20***	***4.91***	Div'ds Decl'd per sh B	***7.87***
1.40	1.22	.70	1.08	1.46	.81	1.42	1.25	1.52	2.38	2.61	1.97	1.74	2.82	3.60	3.96	***2.65***	***2.65***	Cap'l Spending per sh	***3.10***
13.71	15.85	16.37	17.18	18.21	20.27	22.83	25.51	25.90	26.40	27.20	30.82	32.97	38.94	44.87	48.36	***54.40***	***61.60***	Book Value per sh D	***95.05***
93.24	93.38	93.93	93.34	91.57	91.02	90.60	89.72	84.07	79.46	74.78	72.28	69.38	69.96	69.48	68.80	***68.00***	***67.50***	Common Shs Outst'g C	***65.00***
19.3	24.5	20.5	18.2	20.2	19.1	17.8	16.9	17.5	17.2	13.4	16.0	16.4	16.8	21.1	21.5	*Bold figures are*		Avg Ann'l P/E Ratio	***17.0***
1.00	1.40	1.33	.93	1.10	1.09	.94	.90	.94	.91	.81	1.07	1.04	1.05	1.34	1.21	*Value Line*		Relative P/E Ratio	***1.05***
1.2%	1.3%	1.8%	1.7%	1.4%	1.6%	1.5%	1.5%	1.6%	1.6%	1.9%	2.1%	1.9%	1.7%	1.5%	1.4%	*estimates*		Avg Ann'l Div'd Yield	***2.3%***

CAPITAL STRUCTURE as of 3/31/14

Total Debt $574.8 mill. **Due in 5 Yrs** $558.1 mill.
LT Debt $438.1 mill. **LT Interest** $22.0 mill.
(Total int. coverage: over 25x)
(12% of Cap'l)

Leases, Uncapitalized Annual rentals $68.0 mill.
No Defined Benefit Pension Plan
Pfd Stock None
Common Stock 68,430,856 shs.

Options Exercisable 4.1%
MARKET CAP: $17.5 billion (Large Cap)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		17-19
5049.8	5526.6	5883.7	6418.0	6850.0	6222.0	7182.2	8078.2	8950.0	9437.8	***10100***	***11000***	Sales ($mill)	***13300***
10.6%	11.4%	11.8%	12.5%	13.5%	13.1%	13.9%	14.8%	14.4%	16.0%	***16.0%***	***16.5%***	Operating Margin	***18.0%***
98.3	108.8	118.6	132.0	139.6	147.5	149.7	149.2	159.0	180.6	***165***	***165***	Depreciation ($mill)	***180***
276.9	337.1	368.0	420.1	479.3	401.7	502.2	656.3	689.9	824.4	***885***	***995***	Net Profit ($mill)	***1360***
37.8%	36.7%	38.7%	38.4%	38.3%	39.1%	40.2%	36.6%	37.5%	36.9%	***37.5%***	***38.0%***	Income Tax Rate	***38.0%***
5.5%	6.1%	6.3%	6.5%	7.0%	6.5%	7.0%	8.1%	7.7%	8.7%	***8.7%***	***9.1%***	Net Profit Margin	***10.2%***
1092.3	1270.9	1155.8	974.4	1382.4	1354.7	1368.8	1307.0	1820.6	1848.5	***2015***	***2220***	Working Cap'l ($mill)	***3345***
- -	4.9	4.9	4.9	488.2	437.5	420.4	175.1	467.0	445.5	***445***	***445***	Long-Term Debt ($mill)	***350***
2068.0	2289.0	2177.6	2098.1	2033.8	2227.2	2287.7	2724.3	3117.4	3326.8	***3700***	***4155***	Shr. Equity ($mill)	***6175***
13.4%	14.7%	16.9%	20.0%	19.0%	15.2%	18.7%	22.8%	19.5%	22.0%	***21.5%***	***22.0%***	Return on Total Cap'l	***21.0%***
13.4%	14.7%	16.9%	20.0%	23.6%	18.0%	22.0%	24.1%	22.1%	24.8%	***24.0%***	***24.0%***	Return on Shr. Equity	***22.0%***
9.9%	11.1%	12.4%	14.6%	17.6%	12.0%	15.3%	17.5%	15.1%	17.1%	***17.0%***	***17.0%***	Retained to Com Eq	***16.5%***
26%	25%	27%	27%	25%	34%	30%	28%	32%	31%	***29%***	***29%***	All Div'ds to Net Prof	***26%***

CURRENT POSITION ($MILL.)	2012	2013	3/31/14
Cash Assets	452.1	430.6	375.6
Receivables	940.0	1101.7	1159.6
Inventory (LIFO)	1301.9	1305.5	1266.5
Other	206.6	206.5	194.0
Current Assets	2900.6	3044.3	2995.7
Accts Payable	428.8	510.6	493.9
Debt Due	97.6	97.3	136.7
Other	553.6	587.9	535.5
Current Liab.	1080.0	1195.8	1166.1

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '11-'13 to '17-'19
Sales	9.5%	9.5%	*8.5%*
"Cash Flow"	14.0%	13.0%	*11.0%*
Earnings	15.5%	15.0%	*13.0%*
Dividends	15.5%	18.0%	*8.5%*
Book Value	9.0%	10.5%	*16.0%*

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	1883.6	2003.0	2114.6	2077.0	8078.2
2012	2193.4	2249.3	2281.2	2226.1	8950.0
2013	2280.4	2381.6	2398.5	2377.3	9437.8
2014	2385.6	***2525***	***2600***	***2589.4***	***10100***
2015	***2600***	***2800***	***2850***	***2750***	***11000***

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2011	2.18	2.22	2.51	2.13	9.04
2012	2.57	2.63	2.15	2.17	9.52
2013	2.94	3.03	2.95	2.59	11.52
2014	3.07	***3.20***	***3.40***	***3.03***	***12.70***
2015	***3.35***	***3.65***	***3.85***	***3.60***	***14.45***

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2010	.46	.54	.54	.54	2.08
2011	.54	.66	.66	.66	2.52
2012	.66	.80	.80	.80	3.06
2013	.80	.93	.93	.93	3.59
2014	.93	1.08			

BUSINESS: W.W. Grainger, Inc. is the leading provider of maintenance, repair, and operating supplies, services, and related information to businesses and institutions. Markets safety equipment through its Lab Safety Supply subsidiary. Integrated Supply unit offers fee-based, on-site indirect materials management outsourcing. The company operates over 390 branches and 18 distribution centers. Acquired Acklands-Grainger (AGI), 12/96. 2012 depreciation rate: 6.1%. Has about 23,700 employees. Officers & directors own 8.7% of stock (includes J.D. Slavik's less than 6.0%) (3/14 Proxy). President, Chairman & CEO: James T. Ryan. Inc.: IL. Address: 100 Grainger Parkway, Lake Forest, IL. 60045. Telephone: 847-535-1000. Internet: www.grainger.com.

Grainger's performance slightly outpaced our estimates in the first quarter. Earnings came in at $3.07 a share, while revenue nearly hit the $2.4 billion mark. Sales were sluggish in the first two months of the quarter, but accelerated in March and beyond. In the month of May, the top line rose 6%, better growth than the same time last year. It is expected that June comps rose about 6%, as well.

Its Canadian business is a point of weakness. An unfavorable currency exchange, as well as softness in Canadian exports and commodity prices, is inhibiting cumulative year-over-year comparisons. With volume flat, May sales in Canada declined 1% in local currency and 7% in U.S. dollars. Grainger's business outside Canada and the U.S. comprises a much smaller portion of the mix, but is growing more quickly on both volume and pricing improvements.

Looking beyond the June quarter, our estimates remain fundamentally intact. We expect earnings to narrowly eclipse double-digit growth on 7% sales growth for 2014. Most top-line expansion for the year will probably come via volume, as pricing remains relatively constant. Grainger will also likely pursue additional growth opportunities through M&A in the fragmented maintenance, repair, and operating supplies field to supplement its core growth.

The company raised its quarterly dividend 16%, to $1.08 per share. After the hike, the yield stands at 1.7%. While this is below the *Value Line* median, the high dividend growth rate is a clear indication of the company's excellent financial strength. From a shareholder perspective, this is conducive to long-term wealth creation. We think it is a safe bet to expect hefty annual increases, barring any catastrophic setback.

This stock has risen a notch to an Average (3) Timeliness rank. Performance in the near term may be hampered by headwinds in Canada, but the domestic outlook remains solid. Looking further out, GWW shares may attract risk-averse investors seeking long-term growth, considering its high Safety rank (1) and top-notch Price Growth Persistence score.

Jeffrey Hirt *July 4, 2014*

(A) Based on diluted earnings. Excl. nonrec. gains (losses): '00, 19¢; '01, 39¢; '02: (26¢); '04, 11¢; '05, 10¢; '06, 15¢; '08, (5¢); '09, 37¢; '10, 12¢; '11, 3¢; '13, (39¢). EPS may not sum due to rounding or changes in shares outstanding. Next earnings report due mid-July.
(B) Dividends historically paid in March, June, September and December.
(C) In millions.
(D) Includes intangibles. In 2013: $997.3 mill., $14.13/share.

Company's Financial Strength	A++
Stock's Price Stability	85
Price Growth Persistence	100
Earnings Predictability	90