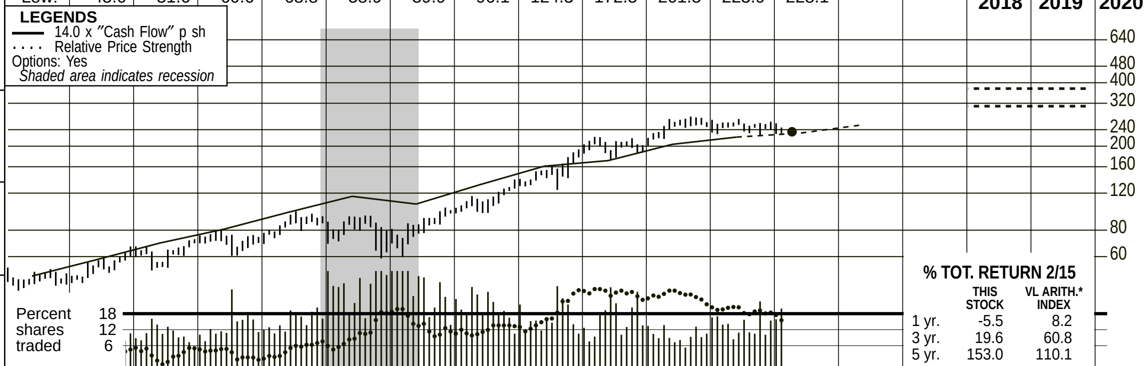
GRAINGER (W.W.) NYSE-GWW

RECENT PRICE 234.21 | P/E RATIO 18.4 (Trailing: 19.1 Median: 17.0) | RELATIVE P/E RATIO 0.96 | DIV'D YLD 1.8% | VALUE LINE

TIMELINESS 3 Raised 4/11/14
SAFETY 1 Raised 4/11/08
TECHNICAL 2 Raised 3/6/15
BETA 1.00 (1.00 = Market)

High:	67.0	72.4	79.9	98.6	94.0	102.5	139.1	193.2	221.8	276.4	269.7	257.0
Low:	45.0	51.6	60.6	68.8	58.9	59.9	96.1	124.3	172.5	201.5	223.9	228.1



2018-20 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	375	(+60%)	14%
Low	310	(+30%)	10%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	2	0	0	1	0	2	3	0
to Sell	1	2	0	0	1	0	2	3	0

Institutional Decisions

	2Q2014	3Q2014	4Q2014
to Buy	256	253	276
to Sell	245	246	220
Hld's(000)	50363	50361	51097

% TOT. RETURN 2/15

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-5.5	8.2
3 yr.	19.6	60.8
5 yr.	153.0	110.1

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	© VALUE LINE PUB. LLC	18-20
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	147.76	**155.55**	**165.65**	Sales per sh	**204.60**
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	15.81	**16.50**	**18.10**	"Cash Flow" per sh	**23.90**
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	12.26	**13.10**	**14.45**	Earnings per sh A	**19.05**
.63	.67	.70	.72	.74	.79	.92	1.11	1.34	1.55	1.78	2.08	2.52	3.06	3.59	4.17	**4.88**	**5.70**	Div'ds Decl'd per sh B	**7.80**
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	5.74	**4.45**	**4.65**	Cap'l Spending per sh	**5.25**
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	47.59	**52.40**	**58.15**	Book Value per sh D	**82.10**
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	67.44	**67.50**	**67.00**	Common Shs Outst'g C	**65.00**
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	20.3	*Bold figures are*		Avg Ann'l P/E Ratio	**18.0**
1.40	1.33	.93	1.10	1.09	.94	.90	.94	.91	.81	1.07	1.04	1.05	1.34	1.21	1.07	*Value Line*		Relative P/E Ratio	**1.15**
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%	1.7%	*estimates*		Avg Ann'l Div'd Yield	**2.2%**

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		18-20
5526.6	5883.7	6418.0	6850.0	6222.0	7182.2	8078.2	8950.0	9437.8	9965.0	**10500**	**11100**	Sales ($mill)	**13300**
11.4%	11.8%	12.5%	13.5%	13.1%	13.9%	14.8%	14.4%	16.0%	16.3%	**16.0%**	**16.5%**	Operating Margin	**17.5%**
108.8	118.6	132.0	139.6	147.5	149.7	149.2	159.0	180.6	208.3	**210**	**220**	Depreciation ($mill)	**265**
337.1	368.0	420.1	479.3	401.7	502.2	656.3	689.9	824.4	858.0	**905**	**990**	Net Profit ($mill)	**1285**
36.7%	38.7%	38.4%	38.3%	39.1%	40.2%	36.6%	37.5%	36.9%	37.9%	**38.0%**	**38.0%**	Income Tax Rate	**38.0%**
6.1%	6.3%	6.5%	7.0%	6.5%	7.0%	8.1%	7.7%	8.7%	8.6%	**8.6%**	**8.9%**	Net Profit Margin	**9.7%**
1270.9	1155.8	974.4	1382.4	1354.7	1368.8	1307.0	1820.6	1848.5	1705.9	**1825**	**1970**	Working Cap'l ($mill)	**2525**
4.9	4.9	4.9	488.2	437.5	420.4	175.1	467.0	445.5	404.5	**405**	**390**	Long-Term Debt ($mill)	**260**
2289.0	2177.6	2098.1	2033.8	2227.2	2287.7	2724.3	3117.4	3326.8	3209.9	**3535**	**3895**	Shr. Equity ($mill)	**5350**
14.7%	16.9%	20.0%	19.0%	15.2%	18.7%	22.8%	19.5%	22.0%	23.9%	**23.0%**	**23.5%**	Return on Total Cap'l	**23.0%**
14.7%	16.9%	20.0%	23.6%	18.0%	22.0%	24.1%	22.1%	24.8%	26.7%	**25.5%**	**25.5%**	Return on Shr. Equity	**24.0%**
11.1%	12.4%	14.6%	17.6%	12.0%	15.3%	17.5%	15.1%	17.1%	17.7%	**16.5%**	**15.5%**	Retained to Com Eq	**14.5%**
25%	27%	27%	25%	34%	30%	28%	32%	31%	34%	**36%**	**39%**	All Div'ds to Net Prof	**39%**

CAPITAL STRUCTURE as of 12/31/14

Total Debt $484.8 mill. **Due in 5 Yrs** $423.7 mill.
LT Debt $404.5 mill. **LT Interest** $20.0 mill.
(Total int. coverage: over 25x)
(11% of Cap'l)

Leases, Uncapitalized Annual rentals $65.9 mill.
No Defined Benefit Pension Plan
Pfd Stock None
Common Stock 67,442,179 shs.
as of 1/31/2015
Options Exercisable 2.4%
MARKET CAP: $15.8 billion (Large Cap)

CURRENT POSITION ($MILL.)	2012	2013	12/31/14
Cash Assets	452.1	430.6	226.6
Receivables	940.0	1101.7	1172.9
Inventory (LIFO)	1301.9	1305.5	1356.4
Other	206.6	206.5	211.6
Current Assets	2900.6	3044.3	2967.5
Accts Payable	428.8	510.6	554.1
Debt Due	97.6	97.3	80.3
Other	553.6	587.9	627.3
Current Liab.	1080.0	1195.8	1261.7

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '12-'14 to '18-'20
Sales	10.0%	10.0%	7.0%
"Cash Flow"	14.5%	13.5%	9.0%
Earnings	15.5%	15.5%	9.5%
Dividends	17.0%	18.5%	13.5%
Book Value	8.5%	11.0%	10.0%

Cal-endar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	2506.1	2562.3	2511.0	9965.0
2015	*2450*	*2600*	*2750*	*2700*	*10500*
2016	*2650*	*2800*	*2850*	*2800*	*11100*

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	3.09	3.30	2.80	12.26
2015	*3.10*	*3.30*	*3.55*	*3.15*	*13.10*
2016	*3.55*	*3.60*	*3.90*	*3.40*	*14.45*

Cal-endar	QUARTERLY DIVIDENDS PAID B Mar.31	Jun.30	Sep.30	Dec.31	Full Year
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	1.08	1.08	4.17
2015	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. 2013 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 stock price, which typically exhibits strong stability and grow persistence characteristics, is down almost 10% since our January review. The company's 2014 earnings-per-share growth of 6.4% was a disappointment. There is no cause for alarm in its domestic operations, which continue to slowly and steadily grow. But, evidently unpleased with its recent results, management plans to improve its multichannel businesses outside of North America, or withdraw from those operations.

The company is off to a slow start in 2015. Harsh winter weather was one culprit, but demand seems to be soft as well. Sales rose just 3% in January and 2% in February. The icy headwind of the Canadian business climate remains a concern. Cost inflation from negative foreign exchange and higher freight expense is trumping price inflation. Furthermore, volume in Canada returned to negative comparisons in the first two months of the year. As acquisition contributions and better pricing were effectively overwhelmed by the exchange rate, sales in the country were down 10% in February. These results are nothing to write home about.

This stock has an Average (3) Timeliness rank, and does not stand out from the crowd for year-ahead price performance. We have reduced our current year earnings target to $13.10. We are cautiously optimistic the company could return to double-digit growth the following year, when reduced investment spending should afford some breathing room to the operating margin.

After the recent price decline, the dividend yield looks more enticing. The company has been dedicated to meaningful dividend increases, and we expect that to continue. Furthermore, our long-term thesis on the broad-line supplier's business model remain intact.

Conservative growth and income accounts may want to consider this equity for a buy-and-hold investment. We think Grainger ought to capture significantly greater maintenance, repair, and operating supply market share in the long run. Risk-adjusted 3- to 5-year annual total return potential seems appealing.

Jeffrey Hirt *April 3, 2015*

(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¢); '14, (81¢). EPS may not sum due to rounding or changes in shares outstanding. Next earnings report due mid-April.
(B) Dividends historically paid in March, June, September and December.
(C) In millions.
(D) Includes intangibles. In 2014: $975.6 mill-lion, $14.47/share.

Company's Financial Strength	A++
Stock's Price Stability	80
Price Growth Persistence	95
Earnings Predictability	90