

GRAINGER W W INC
Form 10-Q
April 29, 2010

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, 2010

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
(State or other jurisdiction of incorporation or
organization)

36-1150280
(I.R.S. Employer Identification No.)

100 Grainger Parkway, Lake Forest, Illinois
(Address of principal executive offices)

60045-5201
(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

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 72,895,785 shares of the Company's Common Stock outstanding as of March 31, 2010.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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,	
	2010	2009
Net sales	\$ 1,672,354	\$ 1,465,248
Cost of merchandise sold	966,612	835,833
Gross profit	705,742	629,415
Warehousing, marketing and administrative expenses	522,857	470,201
Operating earnings	182,885	159,214
Other income and (expense):		
Interest income	241	401
Interest expense	(2,030)	(2,218)
Equity in net income (loss) of unconsolidated entities – net	(80)	76
Other non-operating income	427	1,109
Other non-operating expense	(453)	(114)
Total other income and (expense)	(1,895)	(746)
Earnings before income taxes	180,990	158,468
Income taxes	81,573	62,090
Net earnings	99,417	96,378
Less: Earnings attributable to noncontrolling interest	244	–
Net earnings attributable to W.W. Grainger, Inc.	\$ 99,173	\$ 96,378
Earnings per share:		
Basic	\$ 1.34	\$ 1.27
Diluted	\$ 1.31	\$ 1.25
Weighted average number of shares outstanding:		
Basic	72,576,633	74,260,401

Diluted	73,854,681	75,142,460
Cash dividends paid per share	\$ 0.46	\$ 0.40

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,	
	2010	2009
Net earnings	\$ 99,417	\$ 96,378
Other comprehensive earnings (losses):		
Foreign currency translation adjustments, net of tax (expense) benefit of \$(2,294), and \$1,784, respectively	18,876	(16,065)
Comprehensive earnings, net of tax	118,293	80,313
Comprehensive earnings attributable to noncontrolling interest:		
Net earnings	(244)	-
Foreign currency translation adjustments	276	-
Comprehensive earnings attributable to W.W. Grainger, Inc.	\$ 118,325	\$ 80,313

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)

ASSETS

March