

GRAINGER W W INC

Form 10-Q

August 02, 2007

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 June 30, 2007

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

X

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a

non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of

the Exchange Act. (Check One):

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 84,392,180 shares of the Company's Common Stock outstanding as of June 30, 2007.

TABLE OF CONTENTS

	Page No.	
PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Statements of Earnings	
	for the Three Months and Six Months Ended	
	June 30, 2007 and June 30, 2006	3
	Condensed Consolidated Statements of Comprehensive	
	Earnings for the Three Months and Six Months Ended	
	June 30, 2007 and June 30, 2006	4
	Condensed Consolidated Balance Sheets	
	as of June 30, 2007 and December 31, 2006	5 - 6
	Condensed Consolidated Statements of Cash Flows	
	for the Six Months Ended June 30, 2007 and	
	June 30, 2006	7 - 8
	Notes to Condensed Consolidated Financial Statements	9 - 15
Item 2.	Management's Discussion and Analysis of Financial	
	Condition and Results of Operations	16 - 25
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	26
Item 4.	Controls and Procedures	26
PART II	OTHER INFORMATION	
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	27
Item 6.	Exhibits	28
Signatures		29
EXHIBITS		
Exhibit 11	Computations of Earnings Per Share	
Exhibits 31 & 32	Certifications	

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 per share amounts)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2007	2006	June 30, 2007	2006
Net sales	\$ 1,601,011	\$ 1,482,880	\$ 3,147,669	\$ 2,901,997
Cost of merchandise sold	960,546	899,575	1,875,116	1,748,365
Gross profit	640,465	583,305	1,272,553	1,153,632
Warehousing, marketing and administrative expenses	473,890	438,761	943,393	874,671
Operating earnings	166,575	144,544	329,160	278,961
Other income and (expense):				
Interest income	4,016	5,381	8,038	10,740
Interest expense	(519)	(502)	(1,096)	(995)
Equity in income (losses) of				
unconsolidated entities net	225	862	(117)	2,069
Gain on sale of unconsolidated entity		2,291		2,291
Unclassified net	(45)	293	(12)	170
Total other income and (expense)	3,677	8,325	6,813	14,275
Earnings before income taxes	170,252	152,869	335,973	293,236
Income taxes	65,461	59,130	129,395	113,264
Net earnings	\$ 104,791	\$ 93,739	\$ 206,578	\$ 179,972
Earnings per share:				
Basic	\$ 1.25	\$ 1.05	\$ 2.46	\$ 2.01
Diluted	\$ 1.21	\$ 1.02	\$ 2.38	\$ 1.95
Weighted average number of shares outstanding:				
Basic	84,130,074	89,342,642		