

GRAINGER W W INC
Form 10-Q
May 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 **March 31, 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

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

the Exchange Act). (Check One):

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 83,560,089 shares of the Company's Common Stock outstanding as of March 31, 2007.

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, 2007 and	
	March 31, 2006	3
	Condensed Consolidated Statements of Comprehensive	
	Earnings for the Three Months Ended March 31, 2007	
	and March 31, 2006	4
	Condensed Consolidated Balance Sheets	
	as of March 31, 2007 and December 31, 2006	5 - 6
	Condensed Consolidated Statements of Cash Flows	
	for the Three Months Ended March 31, 2007 and	
	March 31, 2006	7 - 8
	Notes to Condensed Consolidated Financial Statements	9 - 13
Item 2.	Management's Discussion and Analysis of Financial	
	Condition and Results of Operations	14 - 19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	20
Item 4.	Controls and Procedures	20
PART II	OTHER INFORMATION	
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	21
Item 4.	Submission of Matters to a Vote of Security Holders	21 - 22
Item 6.	Exhibits	22
Signatures		23
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	
	March 31, 2007	2006
Net sales	\$ 1,546,658	\$ 1,419,117
Cost of merchandise sold	914,570	848,790
Gross profit	632,088	570,327
Warehousing, marketing and administrative expenses	469,503	435,910
Operating earnings	162,585	134,417
Other income and (expense):		
Interest income	4,022	5,359
Interest expense	(577)	(493)
Equity in income (loss) of unconsolidated entities - net	(342)	1,207
Unclassified - net	33	(123)
Total other income and (expense)	3,136	5,950
Earnings before income taxes	165,721	140,367
Income taxes	63,934	54,134
Net earnings	\$ 101,787	\$ 86,233
Earnings per share:		
Basic	\$ 1.21	\$ 0.96
Diluted	\$ 1.17	\$ 0.93
Weighted average number of shares outstanding:		
Basic	83,979,114	89,637,735
Diluted	86,758,949	92,484,701
Cash dividends paid per share	\$ 0.29	\$ 0.24

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, 2007	2006
Net earnings	\$ 101,787	\$ 86,233
Other comprehensive earnings (losses):		
Foreign currency translation adjustments, net of tax		
(expense) benefit of \$(528) and \$243, respectively	2,583	(1,857)
Comprehensive earnings	\$ 104,370	\$ 84,376

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 per share amounts)

(Unaudited)

ASSETS	March 31, 2007	Dec. 31, 2006
CURRENT ASSETS		
Cash and cash equivalents	\$ 325,472	\$ 348,471
Marketable securities at cost, which approximates market value		