



Investor Teleconference Presentation Third Quarter 2019



Fastenal Company
October 11, 2019



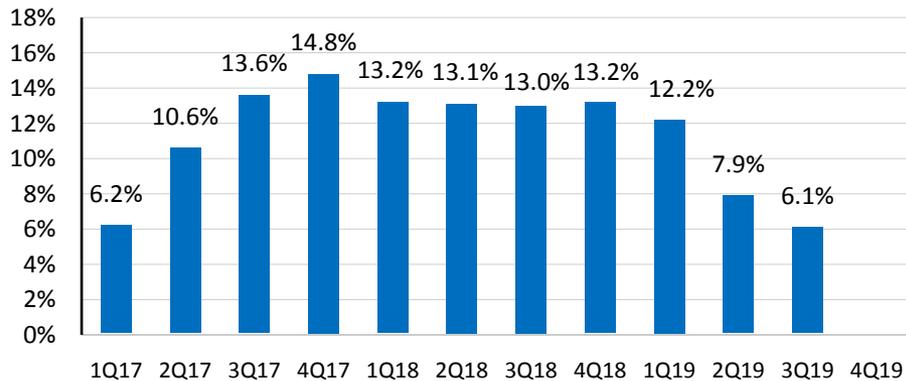
Safe Harbor Statement

All statements made herein that are not historical facts (e.g., goals regarding Onsite and vending signings as well as expectations regarding FTE, leverage, cash flow, and capital expenditures) are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially. More information regarding such risks can be found in the Form 10-K for Fastenal Company for the year ended December 31, 2018 filed with the Securities & Exchange Commission and our earnings release issued on October 11, 2019. Any numerical or other representations in this presentation do not represent guidance by management and should not be construed as such. The appendix to the following presentation includes a discussion of certain non-GAAP financial measures. Information required by Regulation G with respect to such non-GAAP financial measures can be found in the appendix.

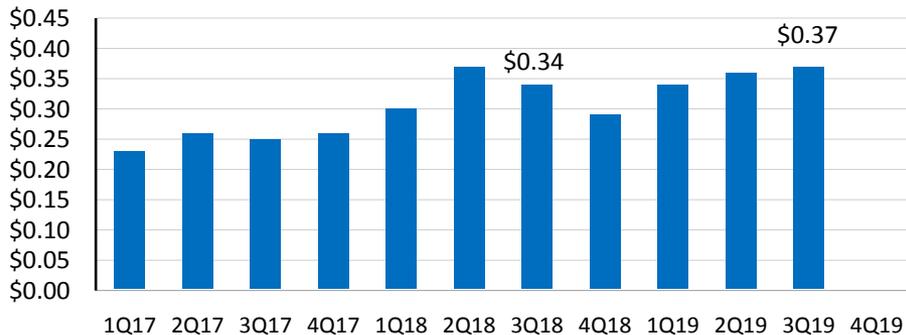


CEO Messages on 3Q19

Daily Sales Rate (DSR) Growth



EPS (Fully Diluted)

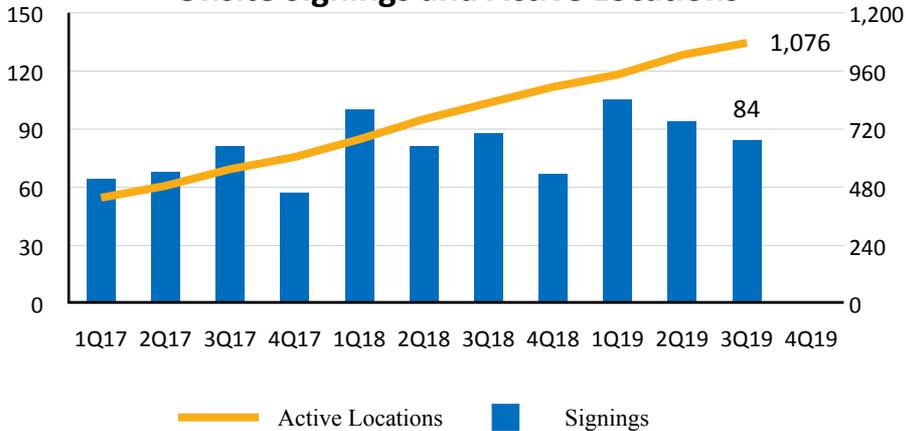


- *Observations on the business.*
- *We reported 3Q19 EPS of \$0.37. The period had discrete tax items, but adjusting for these, diluted EPS remained at \$0.37. Pre-tax profit growth accelerated from 2Q19 to be back in line with our revenue growth.*
- *Two things stood out from the Blue Team this quarter. First, execution of our pricing strategy improved nicely and produced better gross margin. Second, spending adjusted quickly despite slowing growth to allow us to sustain our leverage and improve incremental margins. This was achieved while continuing to invest in our growth drivers.*
- *Business conditions remain sluggish and customer tone remains cautious.*
- *Cash generation improved in the period. Slower growth and timing played a role. However, our efforts to more tightly manage working capital contributed as well.*



3Q19 Growth Driver Update

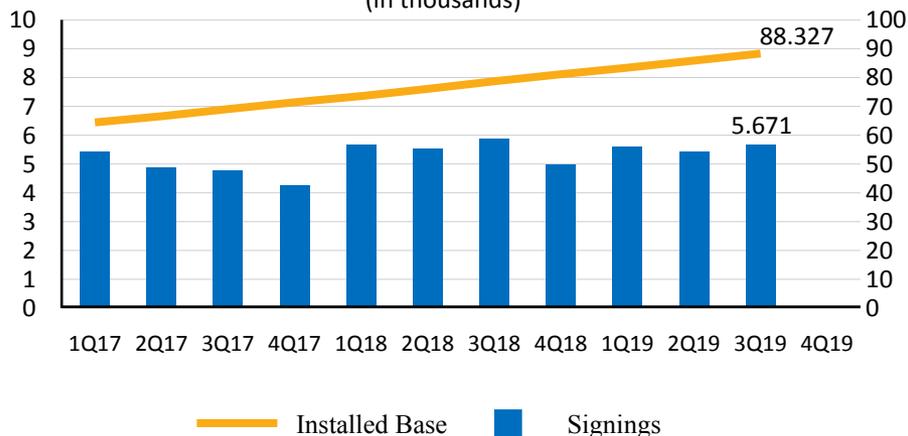
Onsite Signings and Active Locations



- **Onsites:** we signed 84 in 3Q19, ending the period at 1,076 active sites, +30.0% from 3Q18. Sales growth, excluding transferred branch sales, was up in the low-teens with weak demand impacting more mature sites. We continue to expect 2019 signings in the range of 375 to 400.
- Total in-market¹ locations were 3,222 at the end of 3Q19, versus 3,121 at 4Q18 and 3,089 at 3Q18. We closed 22 traditional branches in 3Q19. We also closed 35 Onsites. We routinely review our active locations and address underperforming sites, and a number of these actions fell into the current period.

Vending Device Signings and Installed Base²

(in thousands)



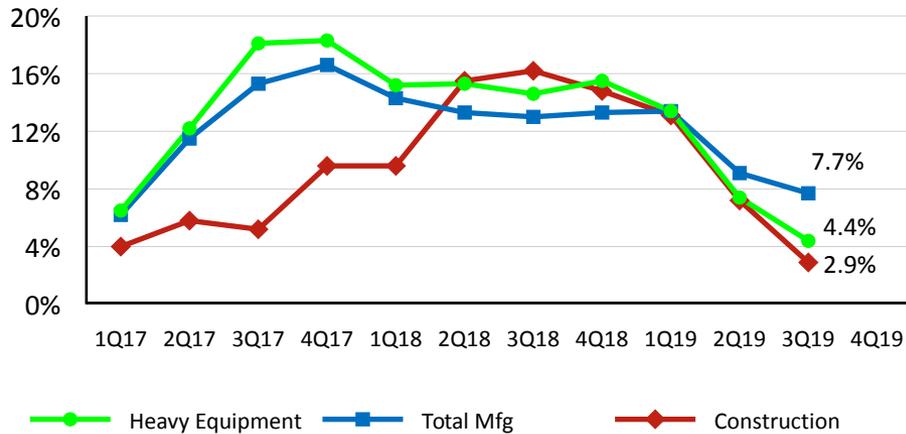
- **Vending:** we signed 5,671 devices in 3Q19, ending with an installed base of 88,327, +12.2% from 3Q18. Product sales through our devices were up mid-teens. We expect roughly 22,000 device signings in 2019, a slight decrease from our prior goal of 23,000 to 25,000. We believe market uncertainty is extending the sales cycle for these devices.
- **E-commerce:** e-commerce sales in 3Q19 were +28% over 3Q18.

¹ In-market locations include public branches (U.S. and ROW) plus Onsites
² Data excludes ~15K vending devices related to a leased locker program



3Q19 Business Cadence

End Market Daily Sales Rate (DSR) Growth¹



- U.S. PMI was 47.8 in September and averaged 49.4 in 3Q19, down from 2Q19 (52.2) and 3Q18 (59.7). U.S. Industrial Production (IP) in July/Aug. was +0.3% from both 2Q19 and 3Q18. The challenging environment for our business is reflected in the sub-50 PMI and minimal IP growth.

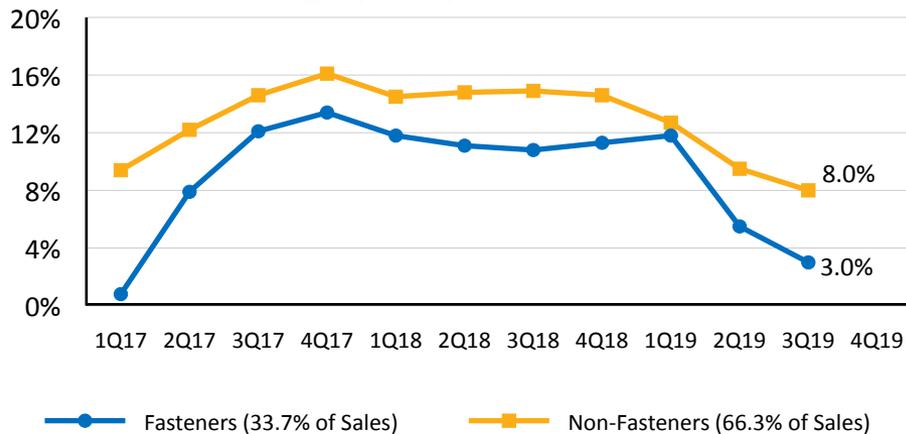
- Manufacturing daily sales were +7.7% in 3Q19, with most industrial sectors being soft or softening, with the exception of transportation. Consumer-related customers are steady. Non-Residential Construction daily sales were +2.9%, with smaller customers being weaker than larger ones.

- National Accounts' daily sales were +10.2% in 3Q19 from 3Q18, with 62 of our Top 100 customers growing. Growth (+8.8%) and participation (58 of our Top 100 grew) both slowed in September. Our global pipeline is healthy, but slowing activity is impacting our largest customers.

- Non-National Account sales were +0.5%, with 57.3% of our branches growing in 3Q19 (versus 66.8% in 3Q18).

¹ In July 2017, we reclassified certain end market designations. Values shown in the chart at the top of this page will differ from prior presentations.

Product Category Daily Sales Rate (DSR) Growth





3Q19 Results Summary

Annual Rates of Change	3Q19	3Q18	% Chg.
Dollar amounts in millions, except per share amounts			
Net Sales	\$1,379.1	\$1,279.8	7.8%
DSR Yr./Yr. % Chg.	—	—	6.1%
Gross Profit	\$651.1	\$615.8	5.7%
Gross Profit Margin	47.2%	48.1%	(90) bps
Employee-Related Exp.	—	—	4.2%
Occupancy-Related Exp.	—	—	2.8%
All Other Oper/Admin Exp.	—	—	8.6%
Operating Income	\$281.9	\$262.3	7.4%
Operating Income Margin	20.4%	20.5%	(10) bps
EPS (Fully-Diluted)	\$0.37	\$0.34	8.0%
Onsite Signings	84	88	(4.5%)
Vending Device Signings	5,671	5,877	(3.5%)
Branch Count	2,146	2,261	(5.1%)
In-market location FTE	12,417	11,995	3.5%
Total FTE	19,060	18,314	4.1%
Operating Cash Flow	\$257.3	\$184.6	39.4%
% of Net Earnings	120.5%	93.4%	—
Capital Expenditures (Net)	\$59.7	\$35.0	70.6%
Dividends	\$126.2	\$114.8	9.9%
Dividends Per Share	\$0.22	\$0.20	10.0%
Share Repurchases	\$0.0	\$0.0	—
Total Debt	\$445.0	\$390.0	14.1%
Tot. Debt/Capital	14.7%	14.4%	—

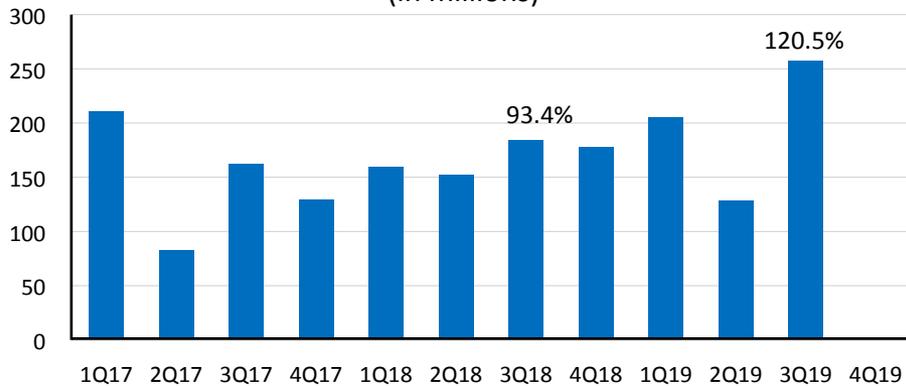
- The 3Q19 gross margin was 47.2%, –90 bps on mix but +30 bps sequentially. Quarter-to-quarter improvement largely reflects improved execution of our strategies to offset tariffs and inflation.
- We estimate price added 90 bps to 120 bps to 3Q19 sales, with improvement in the period being partially masked by having to grow over price increases from 3Q18. We believe the price/cost deficit narrowed throughout the quarter.
- The 3Q19 operating margin was 20.4%, –10 bps from 3Q18. Operating expenses were 26.8% of sales, –80 bps to a record low for a third quarter. We were able to leverage despite further slowing in sales growth, helped by more moderate growth in headcount and continued containment of occupancy expenses.
- Improved gross margin, lower headcount growth and stable operating cost leverage produced a 19.6% incremental margin in 3Q19, meaningfully improved from 2Q19.

Percentage calculations may not be able to be reproduced due to rounding of dollar values.



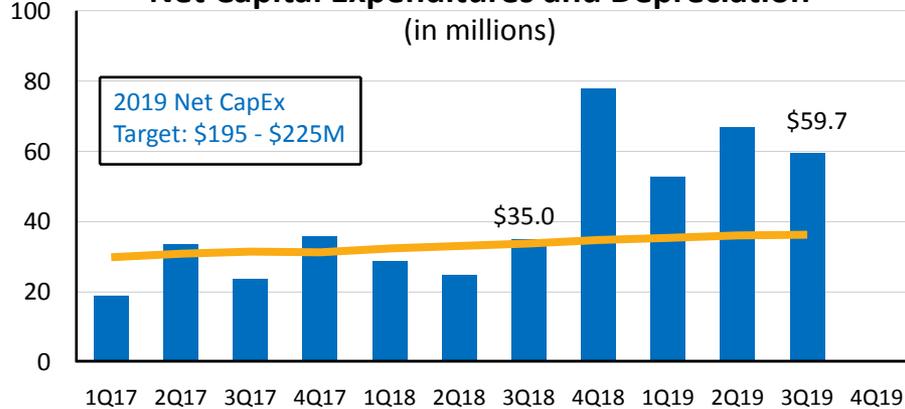
3Q19 Cash Flow Profile

Operating Cash Flow
(in millions)



* Percentages above the bar represent OCF as a % of Net Earnings

Net Capital Expenditures and Depreciation
(in millions)



Net Capital Expenditures = Property & Equipment, net of Proceeds from Sales

— Depreciation ■ Net Capital Expenditures

- 3Q19 operating cash flow was \$257.3, +39.4% and representing 120.5% of net earnings in the period. Reduced working capital needs as growth slows and, to a lesser extent, higher earnings contributed. Year-to-date, we have converted 96.4% of net income to operating cash flow.
- Accounts receivable were +5.8%. Slower sales growth and timing of quarter end close mitigated customer pressure. Inventory was +13.4%, nearly half of which is for Onsites as we continue to invest in growth areas. Throughout the year, we trimmed our product purchases in certain areas which should moderate inventory growth further in 4Q19.
- Net capital spending was \$59.7M in 3Q19, from \$35.0M in 3Q18, on higher spending for hub capacity, vehicles, and vending equipment. We continue to anticipate capital spending of between \$195M and \$225M in 2019.
- We returned \$126.2M of capital to shareholders through dividends in 3Q19. Debt finished 3Q19 at 14.7% of total capital, approximating the level at 3Q18 (14.4%) and below the level at 2Q19 (16.6%). Our capital structure retains the flexibility to support our growth initiatives.



Appendix

Non-GAAP Financial Measures

The appendix includes information on our Return on Invested Capital ('ROIC'), which is a non-GAAP financial measure. We define ROIC as net operating profit less income tax expense divided by average invested capital over the trailing 12 months. We believe ROIC is a useful financial measure for investors in evaluating the efficiency and effectiveness of our use of capital and believe ROIC is an important driver of shareholder return over the long-term. Our method of determining ROIC may differ from the methods of other companies, and therefore may not be comparable to those used by other companies. Management does not use ROIC for any purpose other than the reasons stated above.

The tables that follow on page 9 include a reconciliation of the calculation of our return on total assets ('ROA') (which is the most closely comparable GAAP financial measure) to the calculation of our ROIC for the periods presented.

On December 22, 2017, new tax legislation commonly referred to as the Tax Cuts and Jobs Act (the 'Tax Act') was signed into law. The information presented on the appendix including the impact of the Tax Act noted on page 9 is a non-GAAP financial measure. Management believes reporting this measure will help investors understand the effect of tax reform on comparable reported results.

Stock Split

Share and per share information in this document has been adjusted to reflect the two-for-one stock split effective at the close of business on May 22, 2019.



Return on Invested Capital*

Calculation of Return on Invested Capital

(Amounts in millions)	TTM 3Q19	TTM 3Q18
Operating Income	\$ 1,051.7	969.1
(Income Tax Expense)	(256.1)	(222.5)
Tax Act Adjustment ¹	3.2	(11.0)
NOPAT	\$ 798.8	735.6
Total Current Assets	\$ 2,363.2	2,077.9
Cash and Cash Equivalents	(160.5)	(131.6)
Accounts Payable	(200.6)	(166.6)
Accrued Expenses	(234.5)	(213.2)
Property & Equipment, Net	940.8	886.6
Other Assets ²	313.9	310.9
Invested Capital	\$ 3,022.3	2,764.0
ROIC	26.4%	26.6%

¹ Reflects application of our expected post-Tax Act tax rate to periods in 2017 and exclusion of one-time discrete items in 2018 for purposes of comparison.

² Includes operating lease right-of-use assets related to adoption of ASC 842 on January 1, 2019. The value prior to adoption is estimated. Adoption reduces our prior ROIC by roughly 2.4% and our prior ROA by roughly 1.7%.

Reconciliation of ROIC to Return on Assets (ROA)

(Amounts in millions)	TTM 3Q19	TTM 3Q18
Net Earnings	\$ 781.0	735.5
Total Assets ²	\$ 3,617.9	3,275.4
ROA	21.6%	22.5%
NOPAT	\$ 798.8	735.6
Add: Income Tax Expense	256.1	222.5
Subtract: Tax Act Adj. ¹	(3.2)	11.0
Operating Income	1,051.7	969.1
Add: Interest Income	0.4	0.4
Subtract: Interest Expense	(15.0)	(11.5)
Subtract: Income Tax Expense	(256.1)	(222.5)
Net Earnings	\$ 781.0	735.5
Invested Capital	\$ 3,022.3	2,764.0
Add: Cash and Cash Equivalents	160.5	131.6
Add: Accounts Payable	200.6	166.6
Add: Accrued Expenses	234.5	213.2
Total Assets	\$ 3,617.9	3,275.4

*Amounts may not foot due to rounding differences.



Sequential Trends*

DSR BENCHMARKS	Jan.**	Feb.	Mar.	Cum. Chg., Jan. to Mar.	Apr.	May	June	Cum. Chg., Jan. to Jun.	July	Aug.	Sep.	Cum. Chg., Jan. to Sep.	Oct.	Cum. Chg., Jan. to Oct.	Nov.	Dec.
BENCHMARK	(1.2%)	1.5%	3.7%	5.3%	0.1%	2.0%	2.0%	9.6%	(3.3%)	3.7%	1.8%	11.9%	(1.9%)	9.8%	(4.0%)	(6.7%)
2019 DSR	(0.5%)	1.4%	4.2%	5.6%	(2.4%)	2.5%	1.4%	7.1%	(4.4%)	3.9%	3.1%	9.8%				
<i>Delta v. Benchmark</i>	0.6%	(0.1%)	0.5%	0.3%	(2.5%)	0.5%	(0.6%)	(2.5%)	(1.1%)	0.3%	1.3%	(2.2%)				
2018 DSR	(1.3%)	4.0%	2.1%	6.2%	2.4%	0.6%	3.7%	13.5%	(3.6%)	3.8%	3.6%	17.5%	(3.0%)	13.9%	(4.4%)	(5.3%)
<i>Delta v. Benchmark</i>	(0.2%)	2.5%	(1.6%)	0.9%	2.4%	(1.5%)	1.8%	3.9%	(0.3%)	0.1%	1.7%	5.6%	(1.1%)	4.2%	(0.4%)	1.4%
2017 DSR	0.2%	1.5%	3.6%	5.1%	2.2%	1.4%	2.8%	12.0%	(2.4%)	2.2%	3.8%	16.0%	(2.1%)	13.5%	(4.2%)	(7.1%)
<i>Delta v. Benchmark</i>	1.4%	0.0%	(0.1%)	(0.1%)	2.1%	(0.6%)	0.9%	2.4%	0.9%	(1.4%)	2.0%	4.1%	(0.2%)	3.8%	(0.2%)	(0.5%)
2016 DSR	0.4%	(0.8%)	1.5%	0.7%	1.7%	0.6%	(0.2%)	2.9%	(2.3%)	2.4%	1.5%	4.5%	(0.9%)	3.6%	(5.5%)	(6.6%)
<i>Delta v. Benchmark</i>	1.5%	(2.3%)	(2.2%)	(4.6%)	1.6%	(1.4%)	(2.1%)	(6.7%)	1.0%	(1.3%)	(0.3%)	(7.5%)	1.0%	(6.2%)	(1.5%)	0.1%

Days Count																Total	
2019	22	20	21		22	22	20		22	22	20		23		20	20	254
2018	22	20	22		21	22	21		21	23	19		23		21	19	254
2017	21	20	23		20	22	22		20	23	20		22		21	20	254
2016	20	21	23		21	21	22		20	23	21		21		21	21	255

* Acquisition of Mansco lifted the 2017 DSRs for April along with the Jan. to June, Jan. to Sep., and Jan. to Oct. Cumulative Changes by 1.3pps each.

** The January average is based on the historical change in January vs. October. All other months are sequential.

Notes:

- Good Friday was during April in 2019 vs. March in 2018.
- Amounts may not foot due to rounding differences.



Employee Statistics

HEADCOUNT STATISTICS	Absolute Count							FTE Count ¹						
	3Q19	2Q19	Change Since 2Q19	4Q18 ²	Change Since 4Q18	3Q18	Change Since 3Q18	3Q19	2Q19	Change Since 2Q19	4Q18 ²	Change Since 4Q18	3Q18	Change Since 3Q18
Branches/Onsites	14,128	14,372	(1.7)%	14,015	0.8 %	13,749	2.8 %	12,417	12,903	(3.8)%	12,211	1.7 %	11,995	3.5 %
Non-Branch Selling	1,845	1,811	1.9 %	1,772	4.1 %	1,767	4.4 %	1,809	1,784	1.4 %	1,732	4.4 %	1,721	5.1 %
Selling Personnel	15,973	16,183	(1.3)%	15,787	1.2 %	15,516	2.9 %	14,226	14,687	(3.1)%	13,943	2.0 %	13,716	3.7 %
Distribution	3,852	3,948	(2.4)%	3,830	0.6 %	3,677	4.8 %	2,821	2,954	(4.5)%	2,834	(0.5)%	2,716	3.9 %
Manufacturing	730	737	(0.9)%	736	(0.8)%	733	(0.4)%	684	704	(2.8)%	693	(1.3)%	681	0.4 %
Administrative	1,383	1,364	1.4 %	1,291	7.1 %	1,256	10.1 %	1,329	1,315	1.1 %	1,234	7.7 %	1,201	10.7 %
Non-Selling Personnel	5,965	6,049	(1.4)%	5,857	1.8 %	5,666	5.3 %	4,834	4,973	(2.8)%	4,761	1.5 %	4,598	5.1 %
Total Personnel	21,938	22,232	(1.3)%	21,644	1.4 %	21,182	3.6 %	19,060	19,660	(3.1)%	18,704	1.9 %	18,314	4.1 %

NOTES:

¹ FTE – “Full-Time Equivalent”. FTE is based on 40 hours per week.

² In materials released on January 17, 2019 related to our fourth quarter and full year 2018 earnings results, we undercounted our total employees by 25. We corrected this in the table above.



In-Market Location Statistics

BRANCH STATISTICS	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
New Branch openings											
1Q	33	29	37	28	11	9	2	17	5	0	3
2Q	9	16	38	25	22	8	6	10	5	5	3
3Q	3	45	19	20	11	5	5	8	5	3	2
4Q	24	37	28	7	9	2	28	5	3	3	
Cumulative	69	127	122	80	53	24	41	40	18	11	8
Closed/Converted Branches											
Closed Branches (Annual)	(10)	(7)	(28)	(16)	(16)	(73)	(50)	(144)	(130)	(157)	(88)
Converted Branches (Annual)											
Branch-to-Customer Only	(1)	(1)	0	0	(2)	(2)	(6)	(16)	(8)	(10)	(3)
Customer Only-to-Branch	0	2	1	3	0	1	0	1	0	0	2
Cumulative	(11)	(6)	(27)	(13)	(18)	(74)	(56)	(159)	(138)	(167)	(89)
Branch Count	2,369	2,490	2,585	2,652	2,687	2,637	2,622	2,503	2,383	2,227	2,146
Active Onsites						214	264	401	605	894	1,076
TOTAL IN-MARKET LOCATIONS	2,369	2,490	2,585	2,652	2,687	2,851	2,886	2,904	2,988	3,121	3,222

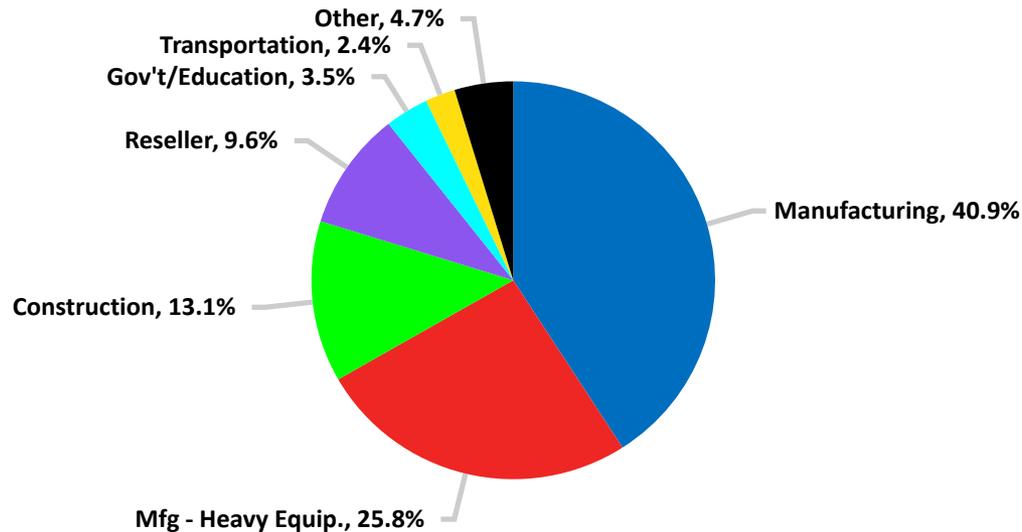
NOTES:

- As of September 30, 2019, includes 1,848 branches in the U.S., 184 in Canada, and 114 in the rest of the world.
- Branch Count includes all locations that sell to multiple customer accounts (traditional branches, overseas branches, and strategic accounts branches). It excludes locations that sell to single customer accounts (strategic accounts sites and Onsite locations).
- Onsite location information prior to 2014 is intentionally omitted. While such locations have existed since 1992, we did not specifically track their number until we identified our Onsite program as a growth driver in 2014.



End Market Profile

End Market Mix -- 2018



MAJOR SEGMENT GROWTH (Daily Sales rates)

		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Full Year
Manufacturing (incl. Heavy Equip.)	2019	13.8%	11.6%	14.7%	7.4%	11.5%	8.7%	7.9%	8.8%	6.4%				10.0%
	2018	13.3%	15.9%	14.0%	14.4%	11.9%	14.0%	11.5%	13.3%	14.7%	12.1%	12.2%	15.5%	13.5%
Construction	2019	16.7%	11.0%	12.1%	8.3%	9.9%	3.6%	1.6%	1.4%	6.4%				7.5%
	2018	7.9%	10.5%	10.9%	13.1%	15.9%	17.4%	16.4%	18.5%	13.7%	14.6%	13.9%	15.2%	14.1%