



Investor Teleconference Presentation Second Quarter 2019



Fastenal Company
July 11, 2019



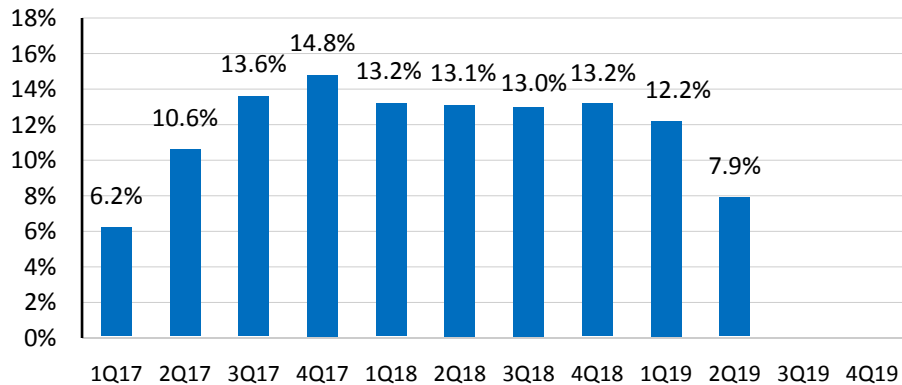
Safe Harbor Statement

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 July 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.

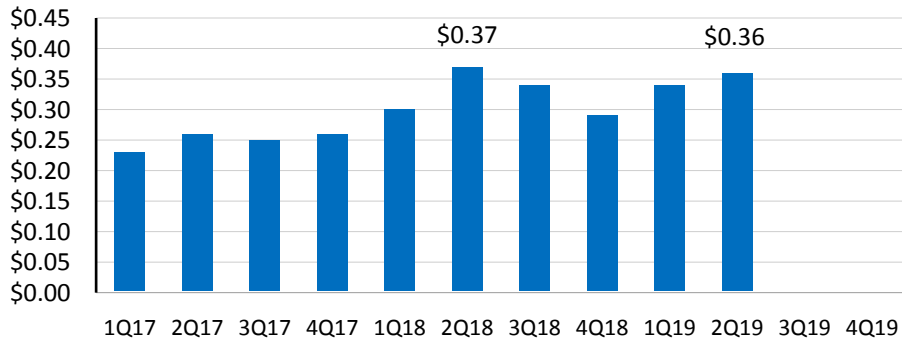


CEO Messages on 2Q19

Daily Sales Rate (DSR) Growth



EPS
(Fully Diluted)

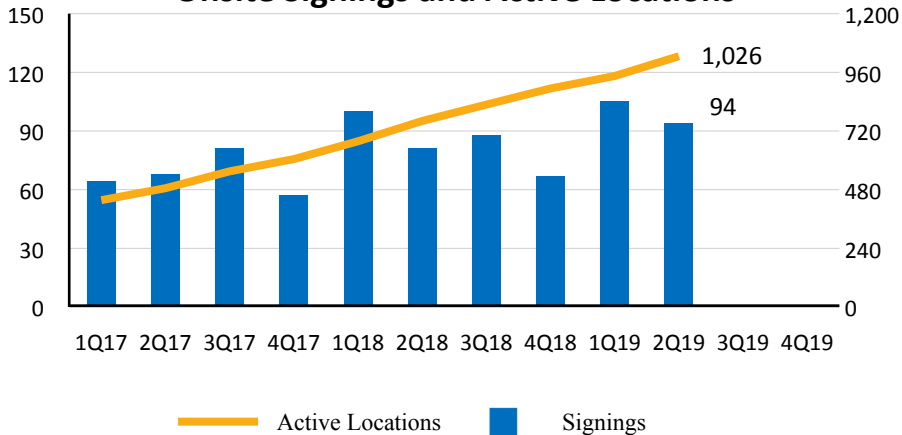


- 2Q19 EPS were \$0.36, -3.2%. Adjusting for a one-time tax gain in 2Q18, diluted EPS would have been +1.5%.
- 2Q19 sales growth slowed to +7.9%, the first sub-10% reading in nine quarters. Continued double-digit growth through vending and onsite and to our National Account customers reflect execution of growth drivers. However, overall activity in end markets slowed in the quarter.
- 2Q19 was a milestone quarter, marking the opening of our 1,000th Onsite and the installation of our 100,000th vending device (including 15,000 related to a leased locker program).
- Price realization to date has been insufficient to fully offset tariffs and general inflation, putting additional pressure on gross margin in 2Q19. Further price actions have been taken in 3Q19 to address this gap and incremental tariffs.
- We continue to leverage operating costs even as we invest in growth drivers, but this did not overcome gross margin pressures. As a result, operating margin declined in 2Q19 vs. 2Q18. We will tighten costs unrelated to growth drivers in response to slower demand.

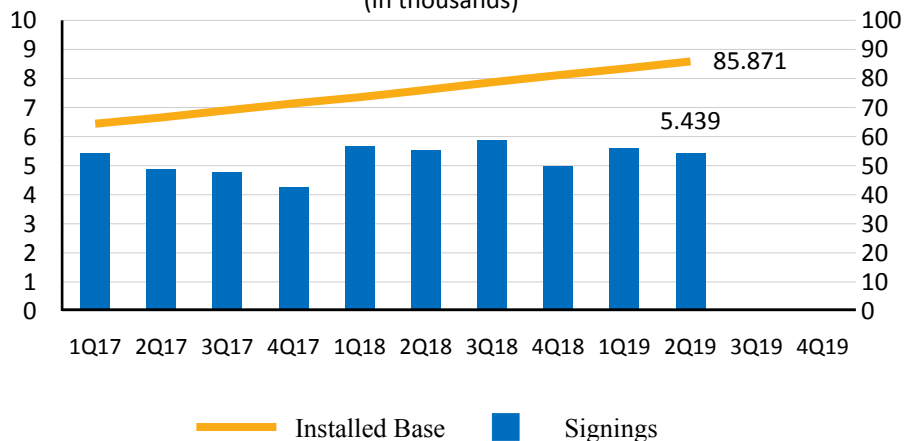


2Q19 Growth Driver Update

Onsite Signings and Active Locations



Vending Device Signings and Installed Base² (in thousands)



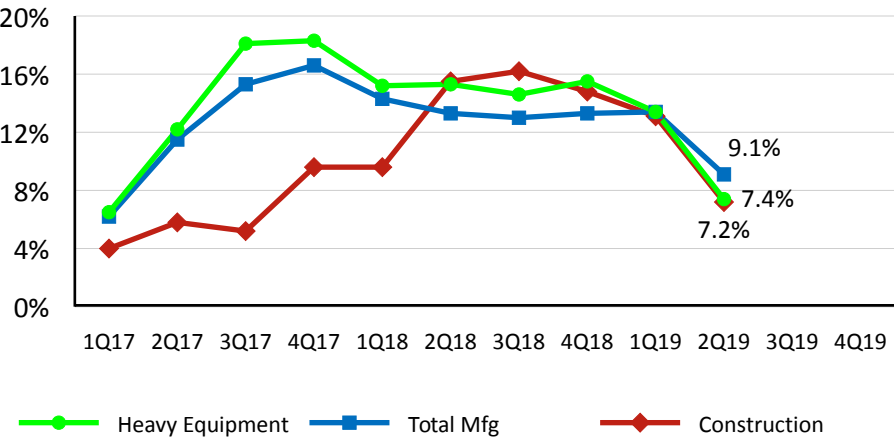
- *Onsites: we signed 94 in 2Q19, ending the period with 1,026 active sites, +34.8% from 2Q18. Sales growth, excluding transferred branch sales, was in the high teens. Our 2019 goal remains 375 to 400 signings.*
- *Vending: we signed 5,439 devices in 2Q19 and finished with an installed base of 85,871, +12.9% from 2Q18. Product sales growth through our devices was in the low teens. Our 2019 goal remains 23,000 to 25,000 device signings.*
- *Total in-market¹ locations were 3,191 at the end of 2Q19, versus 3,121 at 4Q18 and 3,051 at 2Q18. We closed 24 branches in 2Q19.*
- *National Accounts daily sales rose 12.5% in 2Q19 from 2Q18. Our global pipeline remains healthy, but activity levels at our national account customers have slowed.*

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



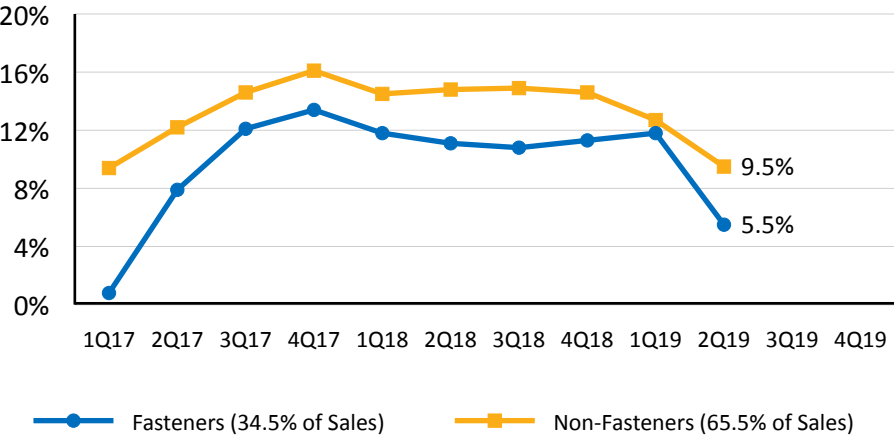
2Q19 Business Cadence

End Market Daily Sales Rate (DSR) Growth¹



- U.S. PMI was 51.7 in June and averaged 52.2 in 2Q19, down from both 1Q19 (55.4) and 2Q18 (58.7). U.S. Industrial Production in Apr./May was -0.3% from 1Q19 and +1.3% from 2Q18. The market continues to grow, but at levels that are a material step-down from recent quarters.
- Manufacturing daily sales were +9.1% in 2Q19, with weakness in heavy machinery a bit more pronounced. Oil & gas remains challenging. Non-Residential Construction daily sales were +7.2%, with our smaller construction customers being weaker than large ones.
- Fastener daily sales were +5.5% and non-fastener daily sales were +9.5% in 2Q19.
- Sales grew at 59.2% of our branches in 2Q19 (vs. 66.3% in 2Q18) and at 72 of our Top 100 National Accounts in 2Q19 (vs. 80 in 2Q18).

Product Category Daily Sales Rate (DSR) Growth



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.



2Q19 Results Summary

Annual Rates of Change	2Q19	2Q18	% Chg.
Dollar amounts in millions, except per share amounts			
Net Sales	\$1,368.4	\$1,267.9	7.9%
DSR Yr./Yr. % Chg.	—	—	7.9%
Gross Profit	\$641.2	\$617.7	3.8%
Gross Profit Margin	46.9%	48.7%	(180) bps
Employee-Related Exp.	—	—	6.8%
Occupancy-Related Exp.	—	—	2.5%
All Other Oper/Admin Exp.	—	—	(0.6%)
Operating Income	\$275.0	\$269.0	2.2%
Operating Income Margin	20.1%	21.2%	(110) bps
EPS (Fully-Diluted)	\$0.36	\$0.37	(3.2%)
Onsite Signings	94	81	16.0%
Vending Device Signings	5,439	5,537	(1.8%)
Branch Count	2,165	2,290	(5.5%)
In-market location FTE	12,903	12,214	5.6%
Total FTE	19,660	18,444	6.6%
Operating Cash Flow	\$128.1	\$151.9	(15.7%)
% of Net Earnings	62.6%	71.9%	—
Capital Expenditures (Net)	\$66.8	\$25.0	167.2%
Dividends	\$123.1	\$106.3	15.8%
Dividends Per Share	\$0.215	\$0.185	16.2%
Share Repurchases	—	\$40.4	—
Total Debt	\$500.0	\$425.0	17.6%
Tot. Debt/Capital	16.6%	16.0%	3.8%

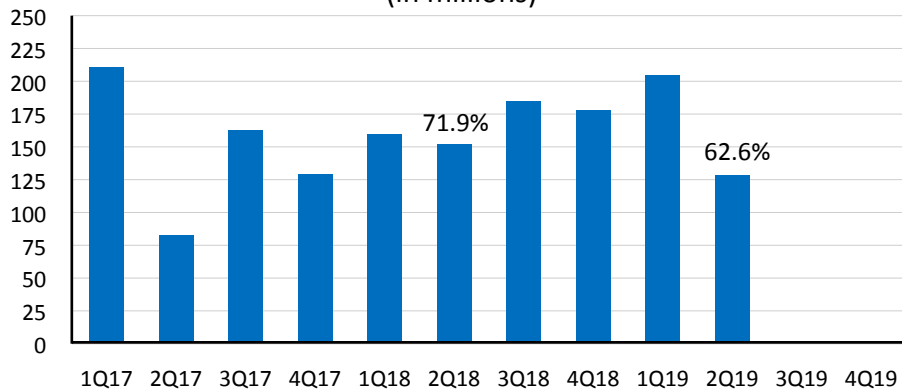
- The 2Q19 operating margin was 20.1%, -110 bps. Operating expenses were 26.8% of sales, 70 bps below last year and a record low for a second quarter despite slower sales. This was not sufficient to overcome a weaker gross margin, however. Our incremental operating margin was 6.0%.
- The 2Q19 gross margin was 46.9%, -180 bps. This was primarily a function of product/customer mix and a wider price/cost deficit.
- Pricing added 70 to 100 bps to 2Q19 sales, optically below 1Q19 as the period had to grow over price increases in 2Q18. This pricing has allowed us to recover costs related to tariffs, but it has not been sufficient to address costs related to higher general inflation. We have instituted additional pricing strategies in 3Q19 to address both our existing price/cost deficit and additional tariff impact.
- We will continue to invest in our growth drivers, but those costs that do not directly contribute to the success of those drivers will be more tightly managed in 3Q19 to reflect slower activity in our end markets.

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



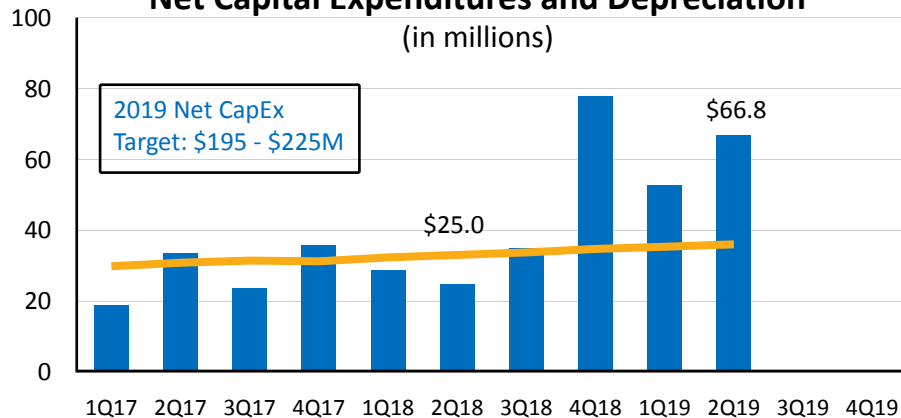
2Q19 Cash Flow Profile

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

- 2Q19 operating cash flow was \$128.1, -15.7% on higher working capital and the absence of one-time tax gains that benefited 2Q18. We converted 62.6% of net income to operating cash, consistent with a typical second quarter.
- Accounts receivable were +11.7%. Growth and customers pushing payments out at quarter end contributed, though the increase in our days out has stabilized. Inventory was +15.7%. Almost 40% of this increase relates to inventory for Onsites, including new activations. While we continue to invest in growth areas, we have reduced certain spending which should begin to moderate inventory growth through 2H19.
- Net capital spending was \$66.8M in 2Q19, from \$25.0M in 2Q18, 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 \$123.1M of capital to shareholders via dividends. Debt was 16.6% of total capital in 2Q19, ahead of the level at 2Q18 (16.0%) but below the level at 1Q19 (16.9%). 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 2Q19	TTM 2Q18
Operating Income	\$ 1,032.1	935.3
(Income Tax Expense)	(253.0)	(243.6)
Tax Act Adjustment ¹	1.3	18.4
NOPAT	\$ 780.4	710.1
Total Current Assets	\$ 2,304.5	2,006.8
Cash and Cash Equivalents	(155.3)	(125.3)
Accounts Payable	(188.0)	(156.7)
Accrued Expenses	(215.2)	(192.4)
Property & Equipment, Net	927.6	887.7
Other Assets ²	309.9	308.8
Invested Capital	\$ 2,983.5	2,728.9
ROIC	26.2%	26.0%

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 1.6%.

Reconciliation of ROIC to Return on Assets (ROA)

(Amounts in millions)	TTM 2Q19	TTM 2Q18
Net Earnings	\$ 765.1	681.0
Total Assets ²	\$ 3,542.0	3,203.3
ROA	21.6%	21.3%
NOPAT	\$ 780.4	710.1
Add: Income Tax Expense	253.0	243.6
Subtract: Tax Act Adj. ¹	(1.3)	(18.4)
Operating Income	1,032.1	935.3
Add: Interest Income	0.4	0.4
Subtract: Interest Expense	(14.4)	(11.1)
Subtract: Income Tax Expense	(253.0)	(243.6)
Net Earnings	\$ 765.1	681.0
Invested Capital	\$ 2,983.5	2,728.9
Add: Cash and Cash Equivalents	155.3	125.3
Add: Accounts Payable	188.0	156.7
Add: Accrued Expenses	215.2	192.4
Total Assets	\$ 3,542.0	3,203.3

*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%								
<i>Delta v. Benchmark</i>	0.6%	(0.1%)	0.5%	0.3%	(2.5%)	0.5%	(0.6%)	(2.5%)								
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						
	2Q19	1Q19	Change Since 1Q19	4Q18 ²	Change Since 4Q18	2Q18	Change Since 2Q18	2Q19	1Q19	Change Since 1Q19	4Q18 ²	Change Since 4Q18	2Q18	Change Since 2Q18
Branches/Onsites	14,372	14,336	0.3 %	14,015	2.5%	13,688	5.0%	12,903	12,482	3.4%	12,211	5.7%	12,214	5.6%
Non-Branch Selling	1,811	1,779	1.8 %	1,772	2.2%	1,752	3.4%	1,784	1,745	2.2%	1,732	3.0%	1,712	4.2%
Selling Personnel	16,183	16,115	0.4 %	15,787	2.5%	15,440	4.8%	14,687	14,227	3.2%	13,943	5.3%	13,926	5.5%
Distribution	3,948	4,002	(1.3)%	3,830	3.1%	3,492	13.1%	2,954	2,923	1.1%	2,834	4.2%	2,672	10.6%
Manufacturing	737	743	(0.8)%	736	0.1%	682	8.1%	704	700	0.6%	693	1.6%	652	8.0%
Administrative	1,364	1,345	1.4 %	1,291	5.7%	1,241	9.9%	1,315	1,275	3.1%	1,234	6.6%	1,194	10.1%
Non-Selling Personnel	6,049	6,090	(0.7)%	5,857	3.3%	5,415	11.7%	4,973	4,898	1.5%	4,761	4.5%	4,518	10.1%
Total Personnel	22,232	22,205	0.1 %	21,644	2.7%	20,855	6.6%	19,660	19,125	2.8%	18,704	5.1%	18,444	6.6%

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	
4Q	24	37	28	7	9	2	28	5	3	3	
Cumulative	69	127	122	80	53	24	41	40	18	11	6
Closed/Converted Branches											
Closed Branches (Annual)	(10)	(7)	(28)	(16)	(16)	(73)	(50)	(144)	(130)	(157)	(66)
Converted Branches (Annual)											
Branch-to-Customer Only	(1)	(1)	0	0	(2)	(2)	(6)	(16)	(8)	(10)	(2)
Customer Only-to-Branch	0	2	1	3	0	1	0	1	0	0	0
Cumulative	(11)	(6)	(27)	(13)	(18)	(74)	(56)	(159)	(138)	(167)	(68)
Branch Count	2,369	2,490	2,585	2,652	2,687	2,637	2,622	2,503	2,383	2,227	2,165
Active Onsites						214	264	401	605	894	1,026
TOTAL IN-MARKET LOCATIONS	2,369	2,490	2,585	2,652	2,687	2,851	2,886	2,904	2,988	3,121	3,191

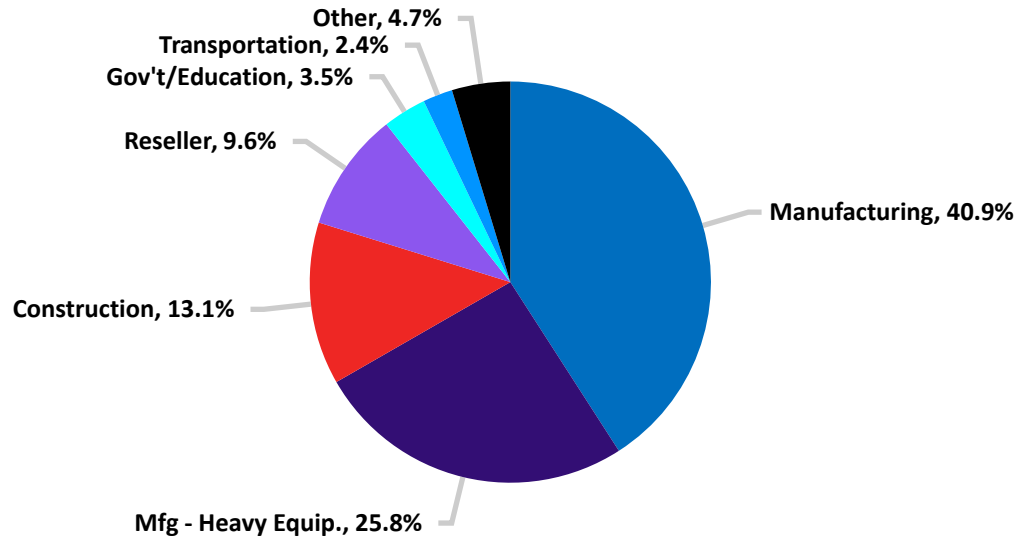
NOTES:

- As of June 30, 2019, includes 1,868 branches in the U.S., 184 in Canada, and 113 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%							11.2%
	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%							10.0%
	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%