



# FOURTH QUARTER 2022

## INVESTOR TELECONFERENCE

JANUARY 19, 2023

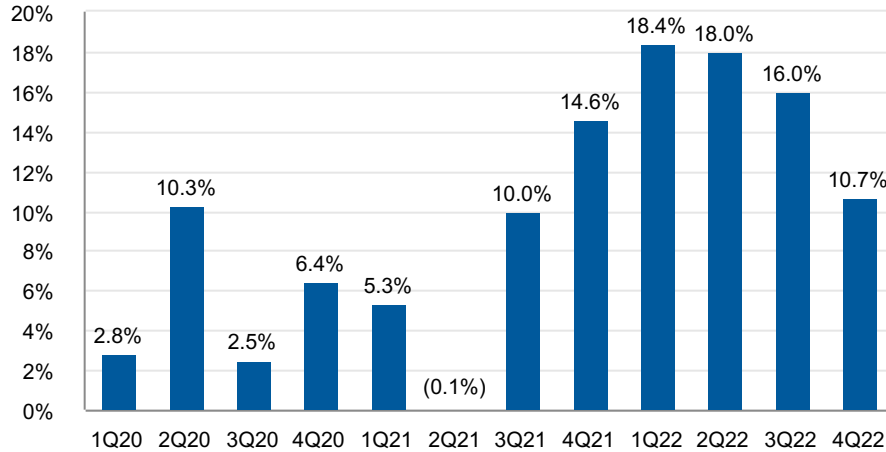


# SAFE HARBOR STATEMENT

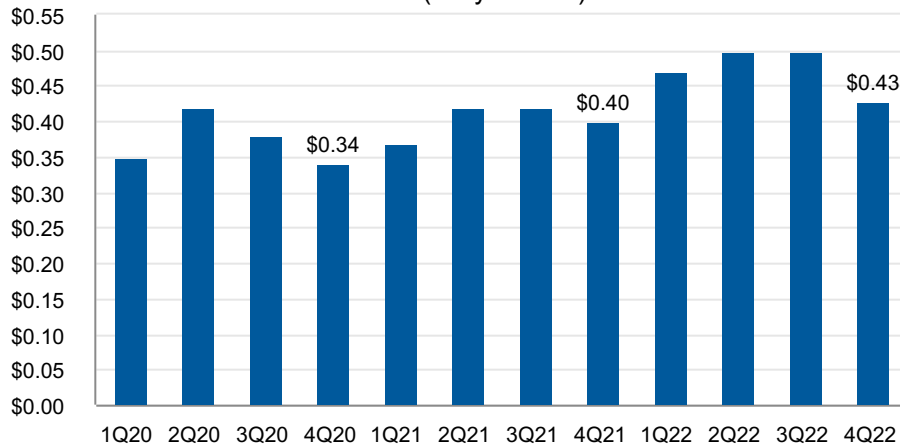
All statements made herein that are not historical facts (e.g., future operating results and business activity, as well as expectations regarding operations, including gross margin, future inventory levels, pricing, Onsite and weighted FMI device signings, the size of our U.S./Canada network of traditional branches, operating costs, capital expenditures, digital footprint, and supply chain difficulties) 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 our most recent annual and quarterly reports filed with the Securities and Exchange Commission. 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 non-GAAP financial measures. Information required by Regulation G with respect to such non-GAAP financial measures can be found in the appendix including a comparison to the comparable GAAP measures.

# CEO MESSAGES ON 4Q22

## Daily Sales Rate (DSR) Growth



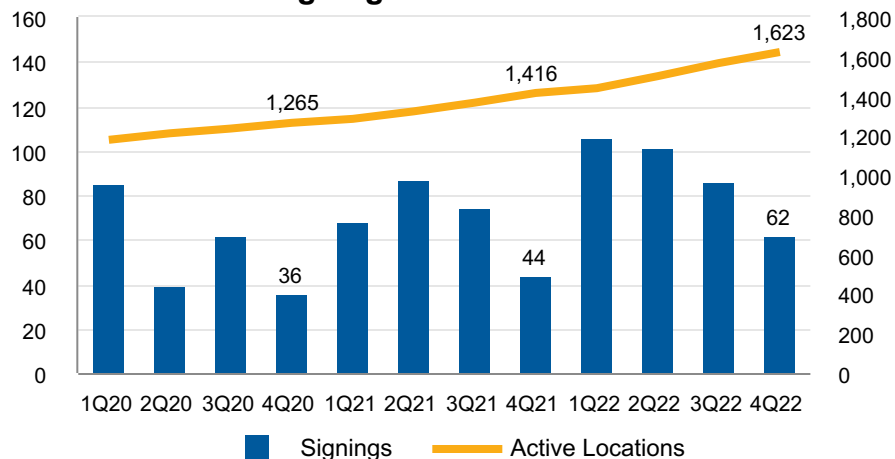
## EPS (Fully Diluted)



- 4Q22 DSR growth of +10.7% eased on tougher comparisons against the prior period and moderating demand. Against this backdrop and in our slowest seasonal quarter volume-wise, our 4Q22 operating margin was stable at 19.6%. Cash conversion returned to historic levels, reflecting normalization of supply chains.
- 2022 was a year of milestones: our eCommerce revenues surpassed \$1.0B of sales; our international sales exceeded \$1.0B; and our company-wide net earnings topped \$1.0B.
- Sifting through quarterly noise, our DSR growth has been strong and stable: three-year growth (2019 to 2022) in 1Q22 was 28.1%, 2Q22 was 30.0%, 3Q22 was 30.7%, and 4Q22 was 34.9%. Our three-year incremental margin was 24.1%, and our operating margin rose from 19.8% in 2019 to 20.8% in 2022. We challenged the Blue Team to be better exiting the pandemic than entering it; the Blue Team delivered.
- We experienced margin pressure in 4Q22. Fasteners were challenging, but understood, while other products fell more than expected. We attribute the latter to the nexus of easing demand, improved product availability, and the often unplanned nature of certain products.
- Though headcount finished a little higher than we like, 2022 had strong labor productivity, with FTE growth lagging sales and profit growth due to hiring discipline and a focus on restocking our part-time ranks. We expect this to remain a priority in 2023.

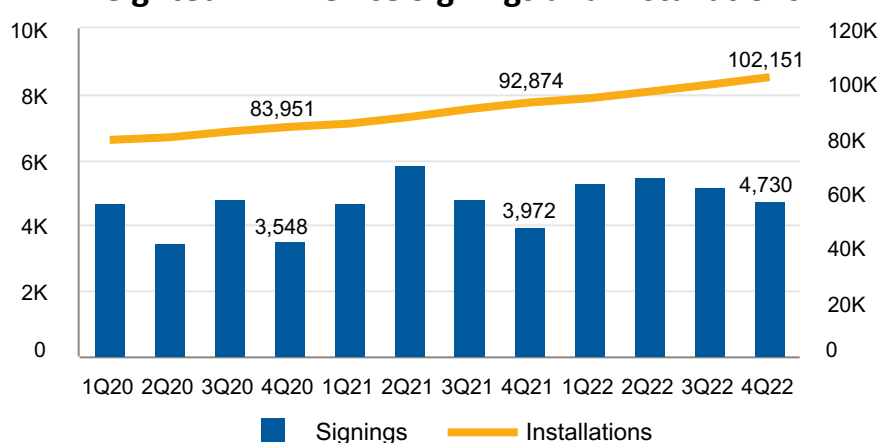
# 4Q22 GROWTH DRIVER UPDATE

## Onsite Signings and Active Locations



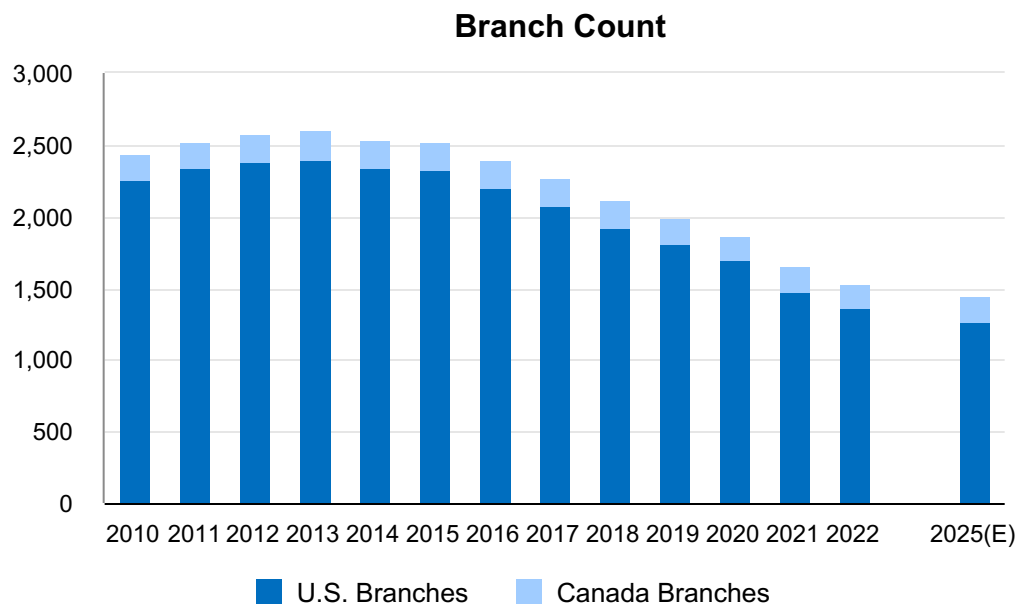
- Onsites:** We had 62 signings in 4Q22 and finished with 1,623 active sites, +14.6% from 4Q21. Daily sales, excluding transferred branch sales, grew at a high-teens rate from 4Q21. Our 2023 goal is 375 to 400 signings.
- FMI Technology:** We signed 4,730 weighted devices in 4Q22 (76 per day), versus 3,972 in 4Q21 (64 per day), with a final installed base of 102,151 weighted devices, +10.0% from 4Q21. Activity through our FMI technology platform represented 38.7% of sales in 4Q22, versus 35.1% of sales in 4Q21 and 27.2% of sales in 4Q20. Our 2023 goal is 23,000 to 25,000 MEU of FASTBin and FASTVend signings.
- eCommerce:** Daily sales rose 48.2% in 4Q22. Large customer-oriented electronic data interface (EDI) was up 45.0%, while web sales were up 58.8%.
- Sales through our **Digital Footprint** (FMI technology plus non-FMI-related eCommerce) was 52.6% of sales in 4Q22, versus 46.4% in 4Q21. We anticipate we will hit 65% of our sales running through our Digital Footprint in 2023.

## Weighted FMI Device Signings and Installations <sup>(1)</sup>



<sup>(1)</sup> Data excludes ~6.5K non-weighted vending devices related to a locker lease program

# BRANCH CONSOLIDATION



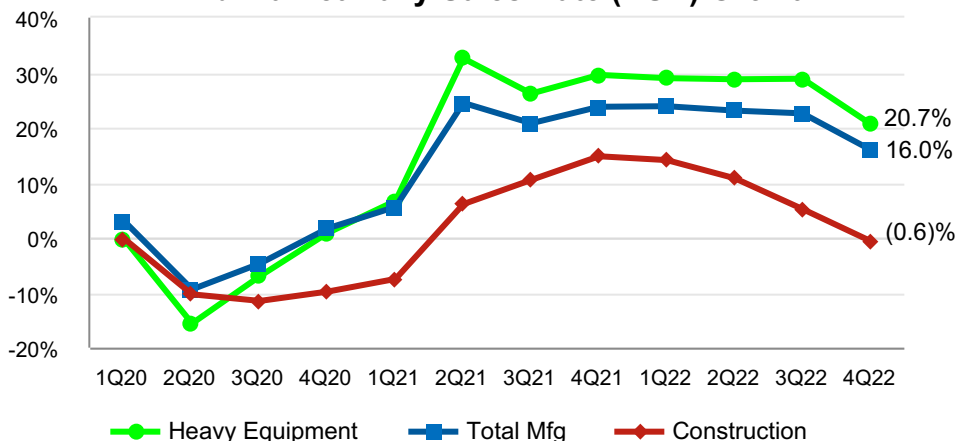
YOY Branch Count Change							
	2016	2017	2018	2019	2020	2021	2022
U.S.	(5.4%)	(5.4%)	(7.3%)	(6.1%)	(6.4%)	(12.6%)	(7.7%)
Canada	(1.0%)	(1.5%)	(4.6%)	(1.6%)	(2.2%)	(3.4%)	(2.3%)
<b>Total</b>	<b>(5.1%)</b>	<b>(5.0%)</b>	<b>(7.1%)</b>	<b>(5.7%)</b>	<b>(6.1%)</b>	<b>(11.7%)</b>	<b>(7.2%)</b>

- **Total in-market<sup>1</sup> locations** were 3,306 at the end of 4Q22, up 3.0% from 3,209 at 4Q21. Our total in-market location count continues to grow due to a rising installed base of Onsites. In 2015, Onsites constituted 9.1% of our in-market locations; in 2022, they were 49.1%.
- Since 2015, we have seen a steady reduction in our traditional branches, primarily within the United States. Our focus on Onsites, shifting branch priorities, and the supply chain tools comprising our Digital Footprint have provided opportunities for network consolidation.
- Our U.S./Canada network will likely trend toward 1,450 traditional branches by 2025.
- At our peak United States branch count in 2013, we believe we had 30-minute access to 95.0% of the U.S. manufacturing base. We anticipate it will approximate 93.5% at our target branch count of 1,450.

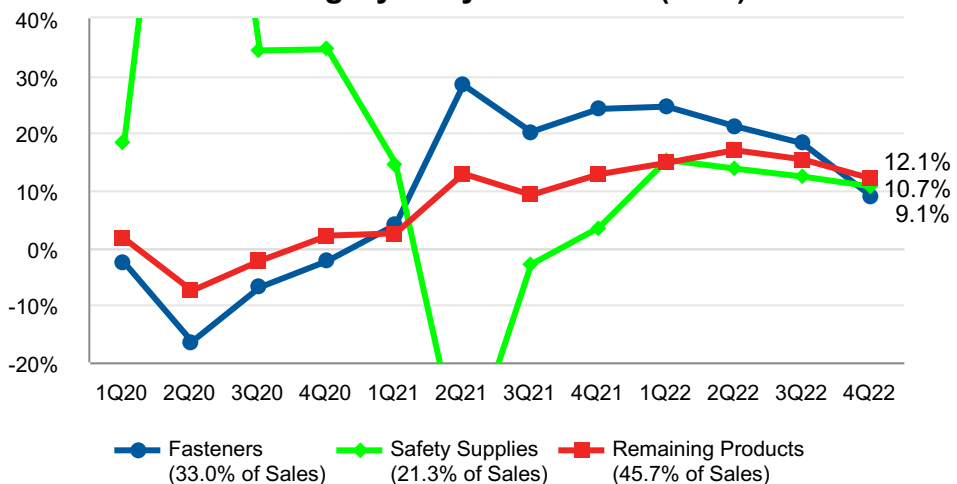
<sup>1</sup> In-market locations include traditional branches, international branches, and Onsites

# 4Q22 BUSINESS CADENCE

## End Market Daily Sales Rate (DSR) Growth



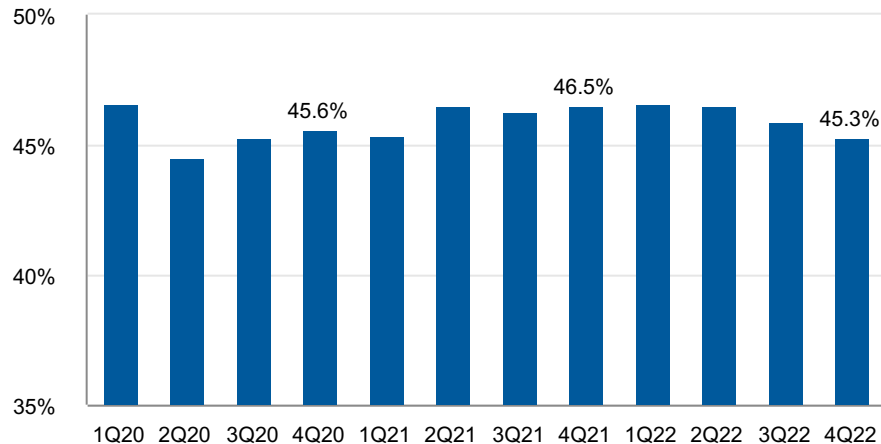
## Product Category Daily Sales Rate (DSR) Growth



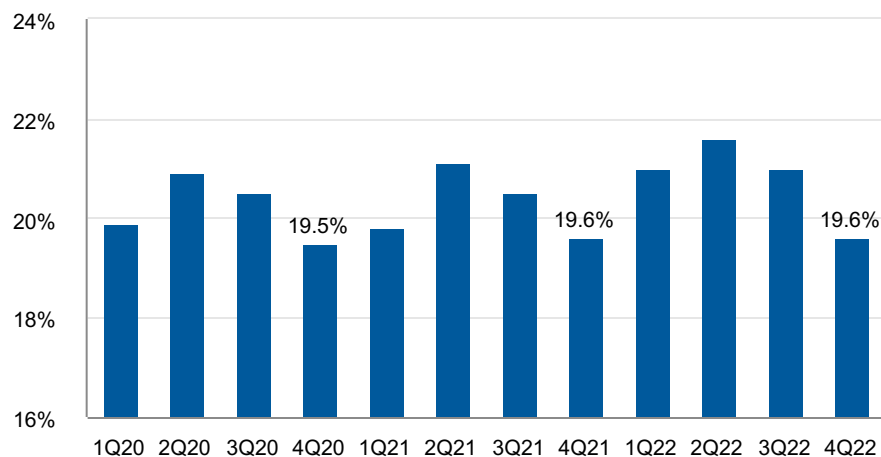
- U.S. Industrial Production rose 2.9% in Oct./Nov. 2022 over 4Q21, representing moderation in underlying demand; key industrial components lagged the broader index. The U.S. PMI averaged 49.2 in 4Q22 and was 48.4 in December, suggesting further slowing in manufacturing demand.
- Regional managers cited stable activity in 4Q22 with mixed customer sentiment, which was largely consistent with the preceding period. Manufacturing related to commodities and capital goods remained healthy, while consumer-facing manufacturing was softer. Construction trends reflect the shifts in our branch and field strategies and priorities.
- Price added 350 to 380 bps to growth in 4Q22, expectedly lessening from 3Q22 (550 to 580 bps contribution). Current price levels remain steady. However, tougher comparisons to prior periods and lower transportation and material costs suggest price contribution should moderate further in 2023.
- 4Q22 daily sales were led by **other products** (+12.1%) and **safety** (+10.7%). **Fasteners** were +9.1%. Reversion to relative growth of non-fastener lines is consistent with the latter stage of the current cycle and the relative opportunity in non-fastener products. Freight daily sales were +19.6%.
- **National Accounts'** daily sales rose 15.0% in 4Q22, with 79 of our Top 100 customers growing. **Non-National Account** daily sales rose 5.6% in 4Q22, with 62% of our branches growing.

# 4Q22 MARGIN SUMMARY

## Gross Profit Margin



## Operating Income Margin

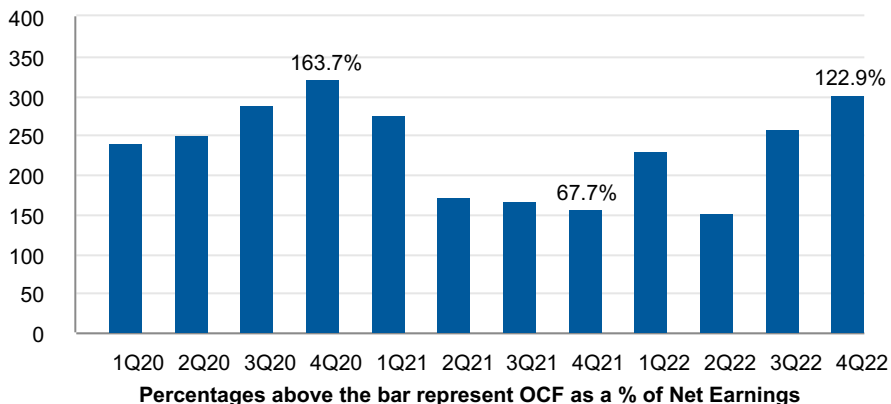


- Our 4Q22 operating margin was flat year-to-year at 19.6%, with incremental operating margin also at 19.6%. For the full year of 2022, our operating margin increased 50 bps to 20.8% and we achieved an incremental margin of 24.4%.
- In 4Q22, our operating expenses were 25.7% of net sales, 120 bps better than 4Q21. Digital Footprint growth, rising sales per in-market location, and our branch initiatives are lifting labor efficiency and driving employee-related leverage. Continued branch consolidations generated occupancy-related leverage.
- 4Q22 gross margin was 45.3%, down 120 basis points from 46.5% in 4Q21, primarily due to several factors:
  1. Customer and product mix, which widened slightly in the period as non-fasteners began to outgrow fasteners. This was an expected result of our growth initiatives.
  2. Negative price/cost, which we continue to view as short-term given easing costs at the front of our supply chain.
  3. Lower product margins in certain of our other product categories. Tighter markets and smoother supply chains have combined to create pressure on products that are less frequently purchased through our supply chain.
  4. The above factors were slightly offset by strong daily freight sales, which allowed us to leverage the relatively fixed costs of our vehicle fleet.

# 4Q22 CASH FLOW PROFILE

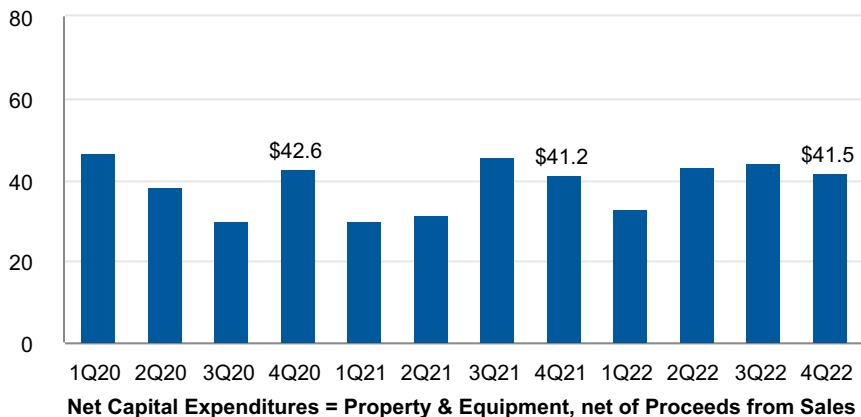
## Operating Cash Flow

(in millions)



## Net Capital Expenditures

(in millions)



2023(E) Net CapEx: \$210.0 to \$230.0; 2022(A) Net Capex: \$162.4

- 4Q22 operating cash flow was \$301.9, or 122.9% of net earnings. Conversion rates improved from the first half to the second half of 2022, including in 4Q22. This largely relates to easing of supply chain constraints, which has improved our working capital position, including working capital becoming a source of cash in 4Q22, as is seasonally typical.
- Accounts receivable rose 12.6% on higher sales and relative growth in larger customers that tend to have longer terms.
- Inventory rose 12.1%. This reflects higher sales and inflation, the latter of which accounted for roughly one-third of the rise, which should continue to ease. We have also built deeper stock to improve internal fulfillment and from prior efforts to mitigate tight supply chains. With supply chains normalized, we expect to gradually shorten our purchasing cycle.
- Net capital spending was \$162.4 in 2022, up from \$148.2 in 2021 largely due to higher spending for FMI equipment. It was slightly below our anticipated range due to equipment deferrals for certain hub projects. Our 2023 net capital spending range is \$210.0 to \$230.0, reflecting hub upgrades and automation, equipment for our vehicle fleet, and IT.
- Balance sheet debt was 14.9% of total capital in 4Q22, up from 11.4% in 4Q21. The increase reflects greater working capital needs and more activity in share repurchases. We returned \$270.1 of capital to shareholders through dividends (\$176.9) and share buybacks (\$93.2) in 4Q22.



# 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 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 10 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.

# RETURN ON INVESTED CAPITAL\*

## Calculation of Return on Invested Capital

(Amounts in millions)	TTM 4Q22	TTM 4Q21
Operating Income	\$ 1,453.6	1,217.4
Income Tax Expense	(353.1)	(282.8)
<b>NOPAT</b>	<b>\$ 1,100.5</b>	<b>934.6</b>
Total Current Assets	\$ 2,990.7	2,678.1
Cash and Cash Equivalents	(233.2)	(241.0)
Accounts Payable	(244.1)	(220.1)
Accrued Expenses	(269.7)	(285.2)
Property & Equipment, Net	1,014.6	1,025.0
Other Assets	418.5	428.8
<b>Invested Capital</b>	<b>\$ 3,676.8</b>	<b>3,385.6</b>
<b>ROIC</b>	<b>29.9%</b>	<b>27.6%</b>

## Reconciliation of ROIC to Return on Assets (ROA)

(Amounts in millions)	TTM 4Q22	TTM 4Q21
Net Earnings	\$ 1,086.9	925.0
Total Assets	\$ 4,423.8	4,131.9
<b>ROA</b>	<b>24.6%</b>	<b>22.4%</b>
NOPAT	\$ 1,100.5	934.6
Add: Income Tax Expense	353.1	282.8
Operating Income	1,453.6	1,217.4
Add: Interest Income	0.7	0.1
Subtract: Interest Expense	(14.3)	(9.7)
Subtract: Income Tax Expense	(353.1)	(282.8)
<b>Net Earnings</b>	<b>\$ 1,086.9</b>	<b>925.0</b>
Invested Capital	\$ 3,676.8	3,385.6
Add: Cash and Cash Equivalents	233.2	241.0
Add: Accounts Payable	244.1	220.1
Add: Accrued Expenses	269.7	285.2
<b>Total Assets</b>	<b>\$ 4,423.8</b>	<b>4,131.9</b>

\* Amounts may not foot due to rounding differences.

# SEQUENTIAL TRENDS\*

Daily Sales Rate (DSR) BENCHMARKS	Jan.*	Feb.	Mar.	Chg., Jan. to Mar.	Apr.	May	Jun.	Chg., Jan. to Jun.	Jul.	Aug.	Sep.	Chg., Jan. to Sep.	Oct.	Chg., Jan. to Oct.	Nov.	Dec.
<b>2023 BENCHMARK**</b>	0.2%	1.5%	3.8%	5.4%	(0.5%)	2.7%	2.0%	9.8%	(3.1%)	2.9%	3.6%	13.4%	(1.9%)	11.2%	(3.5%)	(6.6%)
<b>2022 BENCHMARK**</b>	(0.1%)	0.8%	3.4%	4.1%	0.1%	2.2%	1.9%	8.5%	(3.3%)	3.1%	3.4%	11.9%	(2.1%)	9.5%	(3.7%)	(6.6%)
2022 DSR	1.7%	3.1%	3.6%	6.9%	(1.2%)	3.2%	0.2%	9.2%	(1.6%)	1.3%	2.7%	11.8%	(0.1%)	11.7%	(4.3%)	(6.6%)
<i>Delta v. 2022 Benchmark</i>	1.7%	2.4%	0.2%	2.7%	(1.3%)	1.1%	(1.7%)	0.7%	1.6%	(1.8%)	(0.7%)	(0.1%)	2.0%	2.2%	(0.6%)	0.0%
2021 DSR	0.9%	(2.3%)	5.6%	3.1%	(2.2%)	5.6%	1.6%	8.2%	(3.4%)	3.1%	4.8%	13.0%	0.0%	13.0%	(1.4%)	(4.7%)
<i>Delta v. 2022 Benchmark</i>	1.0%	(3.0%)	2.2%	(1.0%)	(2.3%)	3.4%	(0.3%)	(0.3%)	(0.2%)	0.0%	1.5%	1.1%	2.1%	3.5%	2.3%	2.0%
2020 DSR	(1.3%)	2.5%	(0.3%)	2.2%	3.9%	10.4%	(3.3%)	13.3%	(10.5%)	3.8%	2.9%	8.3%	(2.6%)	5.5%	(0.6%)	(7.4%)
<i>Delta v. 2022 Benchmark</i>	(1.2%)	1.7%	(3.7%)	(2.0%)	3.8%	8.2%	(5.2%)	4.8%	(7.2%)	0.7%	(0.5%)	(3.6%)	(0.5%)	(4.1%)	3.1%	(0.8%)
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%	(4.4%)	4.9%	(3.1%)	(9.5%)
<i>Delta v. 2022 Benchmark</i>	(0.5%)	0.6%	0.8%	1.5%	(2.5%)	0.4%	(0.5%)	(1.3%)	(1.2%)	0.8%	(0.2%)	(2.1%)	(2.3%)	(4.6%)	0.7%	(2.9%)

Days Count																Total	
2023	21	20	23		20	22	22		20	23	20		22		21	19	253
2022	21	20	23		21	21	22		20	23	21		21		21	20	254
2021	20	20	23		22	20	22		21	22	21		21		21	20	253

\* The January average is based on the historical change in January vs. the prior year's October. All other months are sequential.

\*\* The benchmark for each month is the average of the previous five years for that month. As COVID-19-related surge sales made sequential averages in 2020 unrepresentative, the 2023 and 2022 benchmarks use a preceding five-year average that excludes 2020. We also exclude the impact of the 2017 Mansco acquisition.

## Notes:

- Good Friday was in April of 2019, 2020, 2021, 2022, and will be in April of 2023.
- Amounts may not foot due to rounding differences.

# EMPLOYEE STATISTICS

HEADCOUNT STATISTICS	Absolute Count					FTE Count <sup>(1)</sup>				
	4Q22	3Q22	Change Since 3Q22	4Q21	Change Since 4Q21	4Q22	3Q22	Change Since 3Q22	4Q21	Change Since 4Q21
In-market locations (branches & Onsites)	13,410	13,243	1.3%	12,464	7.6%	12,017	11,897	1.0%	11,337	6.0%
Non-in-market selling	2,488	2,419	2.9%	2,106	18.1%	2,459	2,387	3.0%	2,076	18.4%
<b>Selling subtotal</b>	<b>15,898</b>	<b>15,662</b>	<b>1.5%</b>	<b>14,570</b>	<b>9.1%</b>	<b>14,476</b>	<b>14,284</b>	<b>1.3%</b>	<b>13,413</b>	<b>7.9%</b>
Distribution/Transportation	3,974	3,907	1.7%	3,675	8.1%	2,971	2,889	2.8%	2,740	8.4%
Manufacturing	733	706	3.8%	649	12.9%	696	671	3.7%	619	12.4%
Organizational support personnel <sup>(2) (3)</sup>	1,781	1,750	1.8%	1,613	10.4%	1,711	1,675	2.1%	1,562	9.5%
<b>Non-selling subtotal <sup>(2)</sup></b>	<b>6,488</b>	<b>6,363</b>	<b>2.0%</b>	<b>5,937</b>	<b>9.3%</b>	<b>5,378</b>	<b>5,235</b>	<b>2.7%</b>	<b>4,921</b>	<b>9.3%</b>
<b>Total <sup>(2)</sup></b>	<b>22,386</b>	<b>22,025</b>	<b>1.6%</b>	<b>20,507</b>	<b>9.2%</b>	<b>19,854</b>	<b>19,519</b>	<b>1.7%</b>	<b>18,334</b>	<b>8.3%</b>

## NOTES:

<sup>(1)</sup> FTE – "Full-Time Equivalent". FTE is based on 40 hours per week.

<sup>(2)</sup> Due to a calculation error, organizational support personnel was overstated by 36 FTE in 4Q21, with total non-selling FTE and total FTE being overstated by the same amount. These figures have been corrected in this presentation. Adjusting for this error, total FTE in 1Q22, 2Q22, and 3Q22 would have each been up by an additional 0.2% for year-to-date growth.

<sup>(3)</sup> Organizational support personnel consists of: (1) Sales & Growth Driver Support personnel (35% to 40% of category), which includes sourcing, purchasing, supply chain, product development, etc.; (2) Information Technology personnel (30% to 35% of category); and (3) Administrative Support personnel (25% to 30% of category), which includes human resources, Fastenal School of Business, accounting and finance, senior management, etc.

# IN-MARKET LOCATION STATISTICS

	Annual						Quarterly			
	2016	2017	2018	2019	2020	2021	1Q22	2Q22	3Q22	4Q22
Starting Branches	2,622	2,503	2,383	2,227	2,114	2,003	1,793	1,760	1,737	1,716
Opened Branches	40	18	11	12	12	10	6	2	3	1
Closed/ Converted Branches <sup>(1)</sup>	(159)	(138)	(167)	(125)	(123)	(220)	(39)	(25)	(24)	(34)
<b>Ending Branches <sup>(2)</sup></b>	<b>2,503</b>	<b>2,383</b>	<b>2,227</b>	<b>2,114</b>	<b>2,003</b>	<b>1,793</b>	<b>1,760</b>	<b>1,737</b>	<b>1,716</b>	<b>1,683</b>
United States	2,202	2,084	1,932	1,814	1,697	1,484	1,449	1,425	1,402	1,369
Canada/ Mexico	250	248	238	239	237	236	236	236	236	235
Rest of the World	51	51	57	61	69	73	75	76	78	79
Starting Onsites	264	401	605	894	1,114	1,265	1,416	1,440	1,501	1,567
Opened Onsites	161	218	318	312	257	242	57	81	92	76
Closed/ Converted Onsites <sup>(1)</sup>	(24)	(14)	(29)	(92)	(106)	(91)	(33)	(20)	(26)	(20)
<b>Ending Onsites <sup>(2)</sup></b>	<b>401</b>	<b>605</b>	<b>894</b>	<b>1,114</b>	<b>1,265</b>	<b>1,416</b>	<b>1,440</b>	<b>1,501</b>	<b>1,567</b>	<b>1,623</b>
United States	329	493	739	935	1,055	1,184	1,195	1,245	1,289	1,338
Canada/ Mexico	61	94	126	143	163	178	188	197	212	218
Rest of the World	11	18	29	36	47	54	57	59	66	67
<b>In-Market Locations</b>	<b>2,904</b>	<b>2,988</b>	<b>3,121</b>	<b>3,228</b>	<b>3,268</b>	<b>3,209</b>	<b>3,200</b>	<b>3,238</b>	<b>3,283</b>	<b>3,306</b>

<sup>(1)</sup> The net impact of non-in-market locations or Onsite locations converted to branches, branches converted to Onsite locations or non-in-market locations, and closures of branches or Onsite locations.

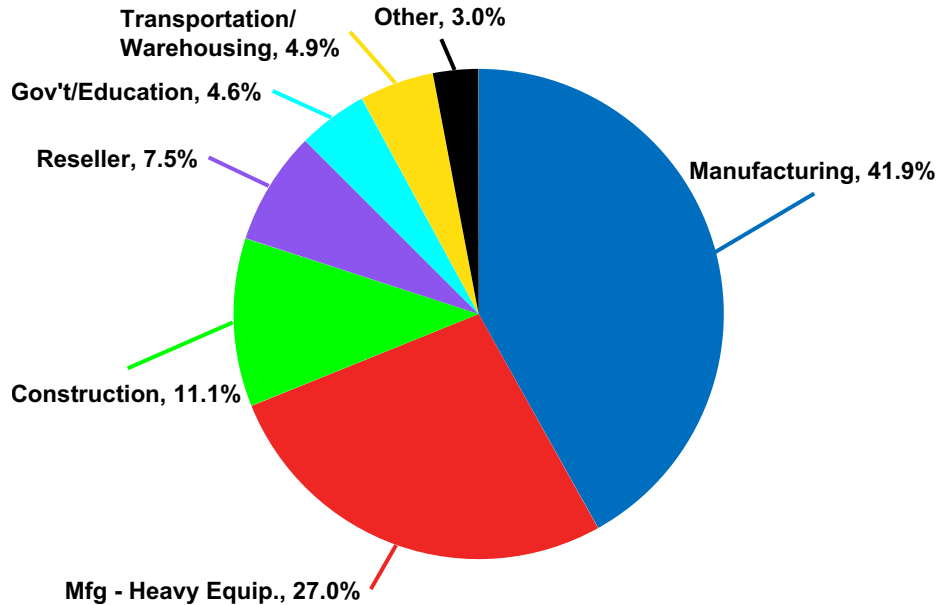
<sup>(2)</sup> Beginning in 2022, the United States includes the Dominican Republic, Guam, and Puerto Rico which were previously grouped with other geographical regions. Prior period figures in the above table may differ slightly from those previously disclosed due to this minor change in reporting.

## Notes:

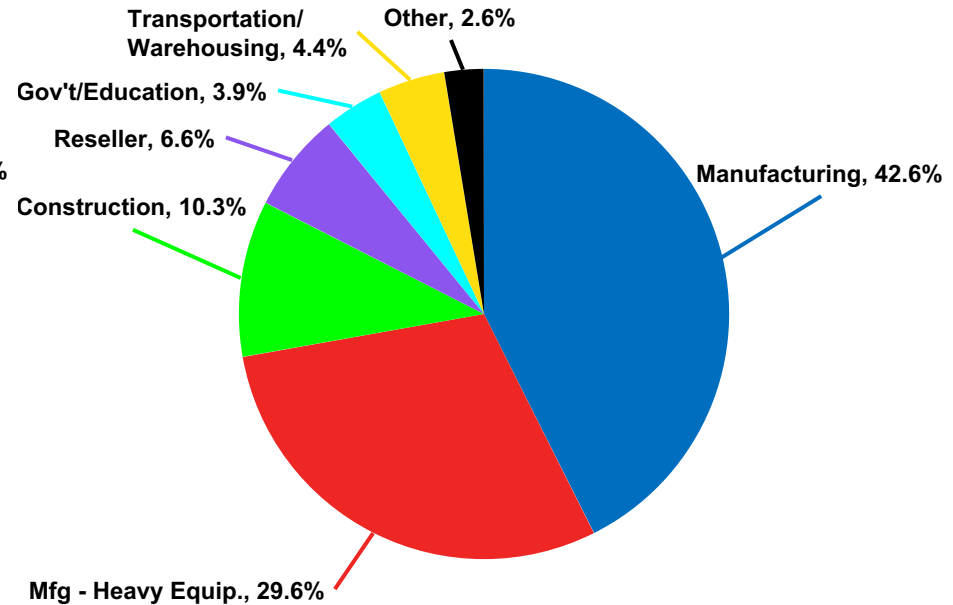
- Branch count includes all locations that sell to multiple customer accounts (primarily our traditional and overseas branches). Onsite count includes all locations that sell to a single customer account.

# END MARKET PROFILE

## End Market Mix - Full Year 2021



## End Market Mix - Full Year 2022



### MAJOR SEGMENT GROWTH

(Daily Sales rates)		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Full Year
<b>Manufacturing</b> (incl. Heavy Equip.)	2022	20.8%	25.8%	25.2%	25.7%	22.4%	21.0%	22.7%	23.5%	21.5%	19.0%	15.3%	13.4%	21.3%
	2021	4.8%	0.6%	10.8%	30.8%	18.9%	24.3%	22.5%	19.7%	20.1%	22.9%	22.6%	25.8%	18.4%
<b>Construction</b>	2022	12.9%	19.5%	11.1%	13.4%	10.7%	8.3%	8.8%	5.8%	1.4%	1.2%	(0.9%)	(2.5%)	7.2%
	2021	(8.9%)	(14.4%)	0.0%	11.9%	4.4%	2.5%	9.5%	10.1%	11.7%	14.2%	16.6%	13.5%	5.7%



# THANK YOU

