



# Investor Teleconference Presentation Third Quarter 2021



Fastenal Company  
October 12, 2021



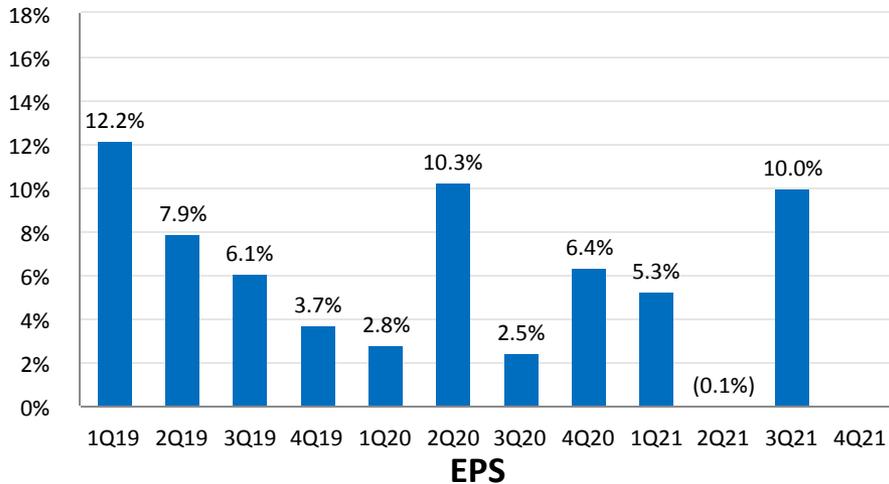
# Safe Harbor Statement

All statements made herein that are not historical facts (e.g., future operating results and business activity in light of the COVID-19 pandemic, as well as expectations regarding operations, including gross margin, future inventory levels, pricing, Onsite and weighted FMI device signings, 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 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 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.

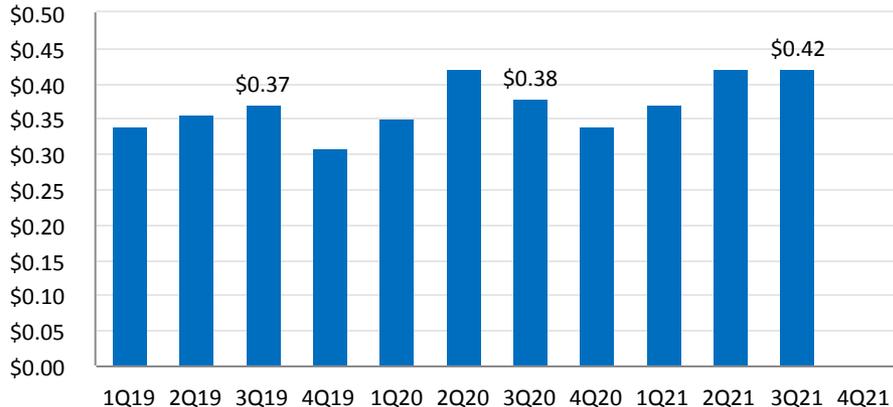


# CEO Messages on 3Q21

## Daily Sales Rate (DSR) Growth



## EPS (Fully Diluted)

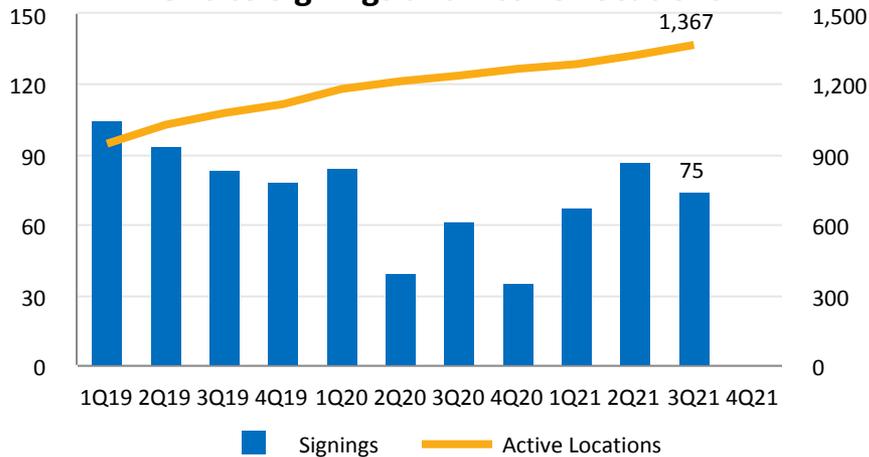


- Net sales grew 10.0% in 3Q21, and 11.1% in September. Core end markets and most product lines grew mid-teens or better. Pre-tax and net income growth largely matched net sales.
- The organization achieved good two-year leverage in 3Q21 vs. 3Q19. Relative to the pre-pandemic period, we are more productive and we continue to make investments to enhance productivity and growth.
- At September 2020, our FASTBin installed base was 705 Machine Equivalent Units (MEUs; 0.2% of sales) and FASTStock was 6.2% of sales; at September 2021, these were 2,599 MEU (1.0% of sales) and 10.7%, respectively.
- Product and shipping cost inflation remains high; still, we were able to mitigate the direct impact on our financials. Supply chain disruption and labor shortages remain acute. Despite this, our entrepreneurial culture is able to sustain high customer service levels, reflecting the effectiveness of our model and promoting share gains.
- The conversations and effort required to navigate these impacts consume considerable energy across ours and our customer's organizations, which is lengthening the sales cycle for customer acquisition and growth driver signings.



# 3Q21 Growth Driver Update

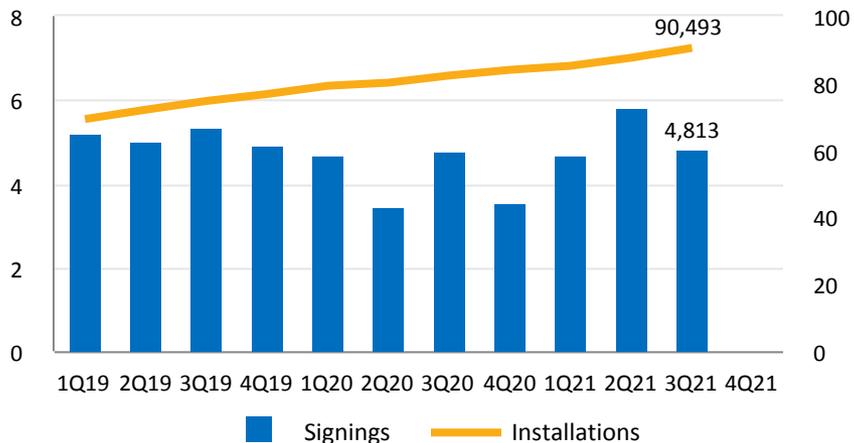
### Onsite Signings and Active Locations



- **Onsites:** We had 75 signings in 3Q21 (230 YTD) and finished with 1,367 active sites, +10.6% from 3Q20. Daily sales, excluding transferred branch sales, grew more than 20% from 3Q20. We now anticipate signing 285 to 325 Onsite locations in 2021, down from our prior range of 300 to 350 locations.

- **Fastenal Managed Inventory (FMI):** We signed 4,813 weighted devices in 3Q21 (15,339 YTD), versus 4,791 in 3Q20, with an ending installed base of 90,493 weighted devices, +10.0% from 3Q20. **FMI devices constituted 33.0% of sales in 3Q21**, versus 25.0% of sales in 3Q20. We now expect weighted FASTVend and FASTBin device signings in 2021 of 20,500 to 22,000 MEUs, down from our prior range of 23,000 to 25,000 MEUs.

### Weighted FMI Device Signings and Installations<sup>2</sup>



- **E-commerce:** daily sales rose 43.4% in 3Q21. Large customer-oriented EDI was up 41.5%, while web sales were up 49.2%.

- Our **Digital Footprint** in 3Q21 was 43.7% of sales.

- **Total in-market<sup>1</sup> locations** were 3,226 at the end of 3Q21, down 1.3% from 3,269 at 3Q20. We closed/converted 63 traditional branches and 23 Onsites in 3Q21.

<sup>1</sup> In-market locations include global public branches and Onsites

<sup>2</sup> Data excludes ~12.5K non-weighted vending devices related to a locker lease program



# Two Year Results of Operations

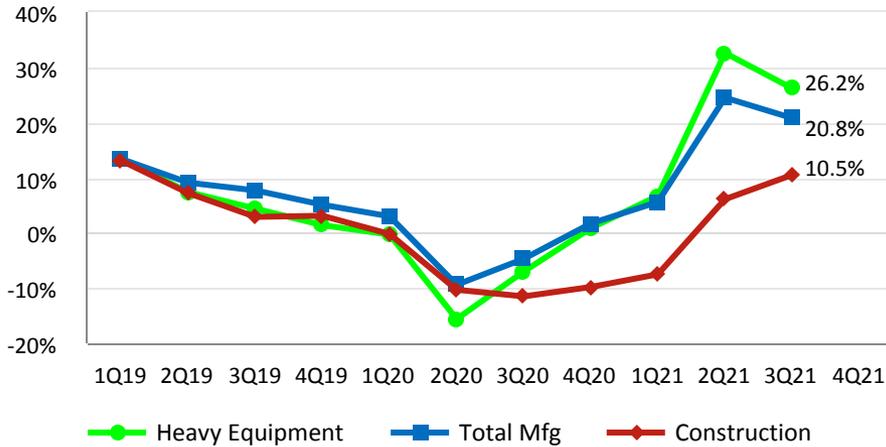
## (Comparison to 2019 Periods)

	Nine-month Period			Three-month Period		
	2021	2019	Change	2021	2019	Change
Net sales	\$ 4,479.0	\$ 4,056.8	10.4%	\$ 1,554.2	\$ 1,379.1	12.7%
Gross profit	\$ 2,064.3	\$ 1,917.0	7.7%	\$ 720.2	\$ 651.1	10.6 %
<i>% of net sales</i>	46.1%	47.3%		46.3%	47.2%	
Operating and administrative expenses	\$ 1,147.8	\$ 1,098.7	4.5%	\$ 401.8	\$ 369.2	8.8%
<i>% of net sales</i>	25.6%	27.1%		25.9%	26.8%	
Operating income	\$ 916.5	\$ 818.3	12.0%	\$ 318.4	\$ 281.9	13.0%
<i>% of net sales</i>	20.5%	20.2%		20.5%	20.4%	
Net earnings	\$ 693.8	\$ 612.2	13.3%	\$ 243.5	\$ 213.5	14.1%
Net cash provided by operating activities	\$ 613.7	\$ 590.3	4.0%	\$ 167.4	\$ 257.3	(34.9%)
<i>% of net earnings</i>	88.5%	96.4%		68.8%	120.5%	



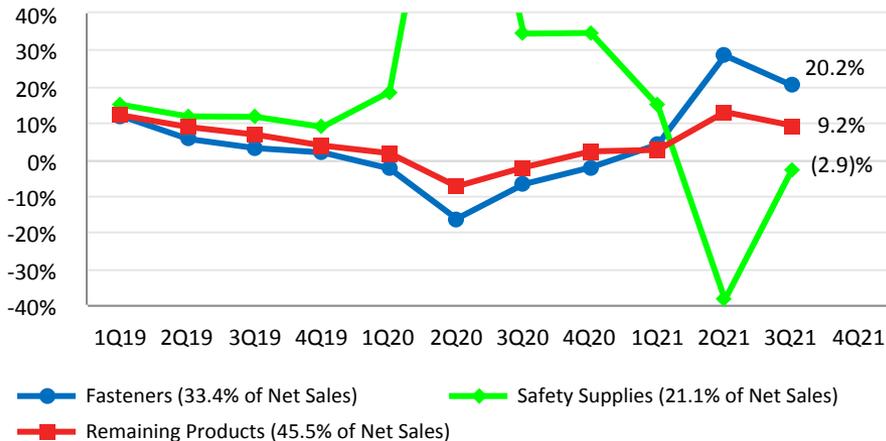
# 3Q21 Business Cadence

## End Market Daily Sales Rate (DSR) Growth



- U.S. PMI averaged 60.2 in 3Q21. U.S. Industrial Production in Jul/Aug 2021 increased 6.2% versus 3Q20. The data reflects continued strong manufacturing conditions.
- In 3Q21, **fastener** daily sales rose 20.2% on firming demand and a relatively easy comparison. **Safety** daily sales fell 2.9%, with a decline in COVID-affected parts being only partly offset by growth of non-COVID-affected parts that approximated our fastener growth. **Other products** daily sales rose 9.2%. Janitorial products declined, but most other categories were up in the mid- to high-teens.

## Product Category Daily Sales Rate (DSR) Growth

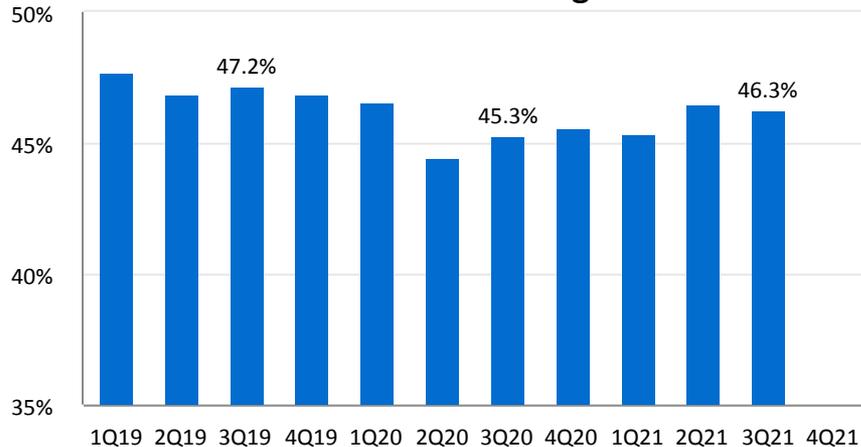


- We saw an uptick in demand for certain COVID-related supplies in 3Q21, but with minimal sales effect. The product range was narrow, the market orderly and well supplied, and unit prices are considerably lower. The greater effect was to exacerbate already existing labor and supply chain issues.
- **National Accounts'** daily sales rose 16.8% in 3Q21, with 74 of our Top 100 customers growing. **Non-National Account** daily sales rose 2.2% in 3Q21, with 68% of our branches growing. Growth from traditional manufacturing and construction customers was partly offset by a 40.5% decline in Government sales.

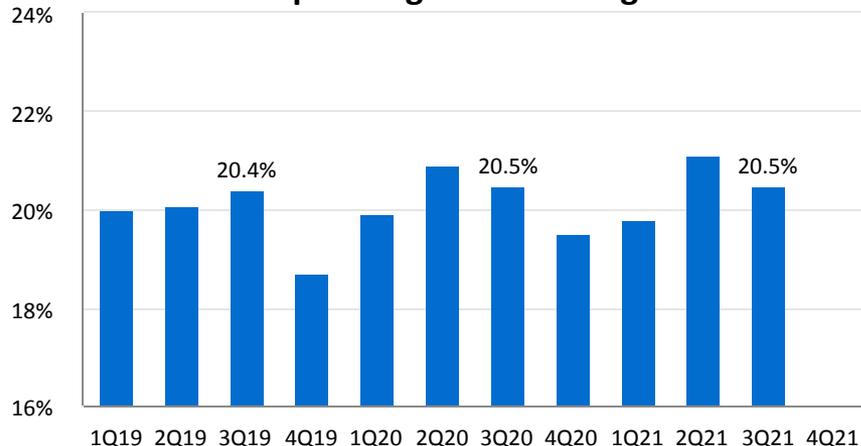


# 3Q21 Margin Summary

## Gross Profit Margin



## Operating Income Margin

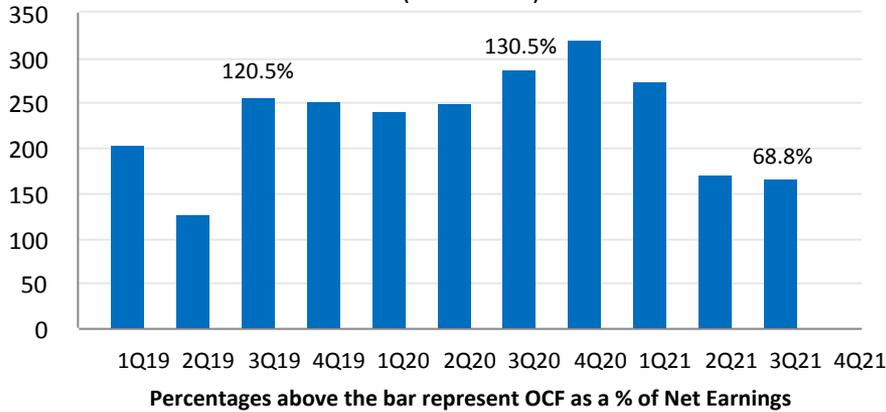


- Higher gross margin reflected two items. First, strong demand contributed to good overhead/organizational cost leverage, including favorable net rebates. Second, product margin improved, particularly for safety products where margins on COVID-affected supplies improved and were lower as a percentage of total safety sales. The impact of product/customer mix was immaterial in 3Q21.
- Price added 230 to 260 bps to growth in 3Q21, reflecting actions taken the past few quarters to address inflation. This allowed us to largely offset higher material (particularly fasteners) and transportation (particularly overseas shipping) costs. The marketplace remains inflationary.
- Operating margin was stable at 20.5%, with incremental margin at 20.1%. Operating expenses as a percent of sales were +110 bps year-to-year, mostly matching the increase in gross margin.
- Absence of leverage owes significantly to various 'resets' as the economy normalizes post-COVID. These include higher incentive pay (+40.7%), health/general insurance (+38.2%), fuel for selling-related vehicles (+49.6%), and travel-related expenses (+164.9%). We expect to more effectively leverage at similar growth in 2022.

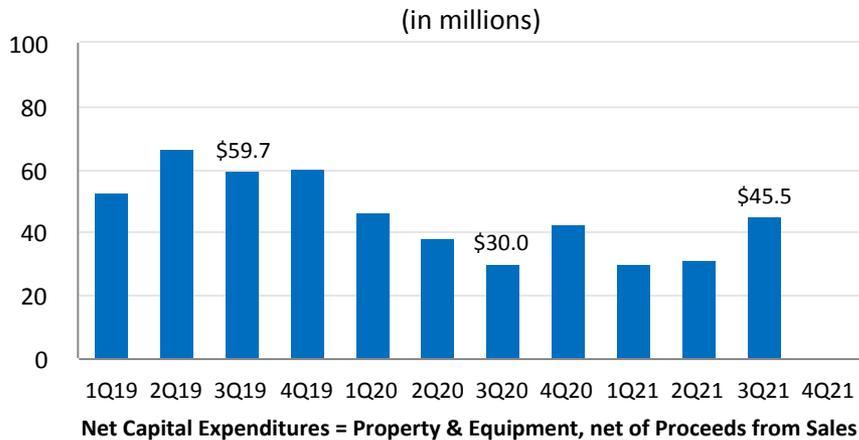


# 3Q21 Cash Flow Profile

## Operating Cash Flow (in millions)



## Net Capital Expenditures



2021(E) Net CapEx: \$155.0 to \$175.0; 2020(A) Net Capex: \$157.5

- 3Q21 operating cash flow was \$167.4, or 68.8% of net income. We are experiencing meaningful working capital increases to support growth and account for inflation. We also paid approximately \$30.0 in payroll taxes that had been deferred from 2020 as part of the COVID-related legislation.
- Inventory rose 4.4%, reflecting additions to support growth and inflation. This was partly offset by cuts in pandemic-related stock, branch closures, and internal efforts to improve internal supply chain efficiency. We expect material growth in inventory in 4Q21 due both to the timing of receipt of import product, as well as inflation.
- Net capital spending was \$45.5 in 3Q21, up from \$30.0 in 3Q20 due most significantly to higher spending on a non-hub building project in Winona. We now expect net capital spending in 2021 of \$155.0 to \$175.0, down from our prior range of \$170.0 to \$200.0 due to supply chain-related difficulties buying vehicles, branch supplies, and other equipment.
- Balance sheet debt was 11.0% of total capital. Our revolver remains unused, providing us ample liquidity. We returned \$161.0M of capital to shareholders through dividends in 3Q21.



# 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 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.*

## **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 3Q21	TTM 3Q20
Operating Income	\$ 1,180.9	1,116.3
(Income Tax Expense)	(281.5)	(265.2)
<b>NOPAT</b>	<b>\$ 899.4</b>	<b>851.1</b>
Total Current Assets	\$ 2,708.5	2,573.8
Cash and Cash Equivalents	(291.2)	(261.5)
Accounts Payable	(233.7)	(212.8)
Accrued Expenses	(268.1)	(249.8)
Property & Equipment, Net	1,021.5	1,010.7
Other Assets	435.6	314.5 <sup>(1)</sup>
<b>Invested Capital</b>	<b>\$ 3,372.6</b>	<b>3,174.9</b>
<b>ROIC</b>	<b>26.7%</b>	<b>26.8%</b>

<sup>(1)</sup> Other Assets excludes average unamortized value of acquired non-operating intangible assets.

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

(Amounts in millions)	TTM 3Q21	TTM 3Q20
Net Earnings	\$ 889.9	841.7
Total Assets	\$ 4,165.6	3,961.4
<b>ROA</b>	<b>21.4%</b>	<b>21.2%</b>
NOPAT	\$ 899.4	851.1
Add: Income Tax Expense	281.5	265.2
Operating Income	1,180.9	1,116.3
Add: Interest Income	0.4	0.4
Subtract: Interest Expense	(9.9)	(9.8)
Subtract: Income Tax Expense	(281.5)	(265.2)
<b>Net Earnings</b>	<b>\$ 889.9</b>	<b>841.7</b>
Invested Capital	\$ 3,372.6	3,174.9
Add: Cash and Cash Equivalents	291.2	261.5
Add: Accounts Payable	233.7	212.8
Add: Accrued Expenses	268.1	249.8
Add: Excluded Other Assets	—	62.5 <sup>(1)</sup>
<b>Total Assets</b>	<b>\$ 4,165.6</b>	<b>3,961.4</b>

\*Amounts may not foot due to rounding differences.



# Sequential Trends\*

Daily Sales Rate (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.
<b>BENCHMARK**</b>	(1.0%)	1.2%	3.1%	4.3%	0.1%	1.7%	1.8%	8.1%	(3.4%)	3.3%	2.2%	10.3%	(2.5%)	7.5%	(4.0%)	(7.4%)
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%				
<i>Delta v. Benchmark</i>	1.9%	(3.5%)	2.5%	(1.2%)	(2.3%)	3.9%	(0.2%)	0.1%	0.0%	(0.2%)	2.6%	2.7%				
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. Benchmark</i>	(0.3%)	1.3%	(3.4%)	(2.2%)	3.8%	8.7%	(5.1%)	5.2%	(7.0%)	0.5%	0.6%	(2.0%)	(0.1%)	(2.0%)	3.4%	0.0%
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. Benchmark</i>	0.4%	0.2%	1.1%	1.3%	(2.5%)	0.8%	(0.4%)	(1.0%)	(1.0%)	0.6%	0.9%	(0.5%)	(1.9%)	(2.6%)	1.0%	(2.1%)
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>	(0.3)%	2.8%	(1.0)%	1.8%	2.3%	(1.1)%	2.0%	5.4%	(0.2)%	0.5%	1.3%	7.2%	(0.5)%	6.4%	(0.3)%	2.1%

Days Count															Total		
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
2020	22	20	22		22	20	22		22	21	21		22		20	21	255

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

\*\* The benchmark for each month is the average of the previous five years for that month (excluding the impact of the March 2017 Mansco Acquisition). Surge sales associated with COVID-19 make sequential averages in 2020 unrepresentative. As a result, the 2021 benchmark uses a preceding five-year average that excludes 2020.

## Notes:

- Good Friday was in April of 2019 vs. March of 2018. Good Friday remained in April of 2020 and 2021.
- Amounts may not foot due to rounding differences.



# Employee Statistics

HEADCOUNT STATISTICS	Absolute Count							FTE Count <sup>1</sup>						
	3Q21	2Q21	Change Since 2Q21	4Q20	Change Since 4Q20	3Q20	Change Since 3Q20	3Q21	2Q21	Change Since 2Q21	4Q20	Change Since 4Q20	3Q20	Change Since 3Q20
In-market locations (branches & Onsites)	12,347	12,446	(0.8%)	12,680	(2.6%)	12,708	(2.8%)	11,104	11,390	(2.5%)	11,260	(1.4%)	11,302	(1.8%)
Non-in-market selling	2,080	2,044	1.8%	1,952	6.6%	1,921	8.3%	2,049	2,021	1.4%	1,923	6.6%	1,895	8.1%
Selling subtotal	14,427	14,490	(0.4%)	14,632	(1.4%)	14,629	(1.4%)	13,153	13,411	(1.9%)	13,183	(0.2%)	13,197	(0.3%)
Distribution/Transportation	3,562	3,593	(0.9%)	3,583	(0.6%)	3,593	(0.9%)	2,560	2,691	(4.9%)	2,591	(1.2%)	2,638	(3.0%)
Manufacturing	653	649	0.6%	639	2.2%	657	(0.6%)	616	618	(0.3%)	607	1.5%	618	(0.3%)
Administrative <sup>2</sup>	1,589	1,585	0.3%	1,511	5.2%	1,457	9.1%	1,531	1,533	(0.1%)	1,455	5.2%	1,409	8.7%
Non-selling subtotal	5,804	5,827	(0.4%)	5,733	1.2%	5,707	1.7%	4,707	4,842	(2.8%)	4,653	1.2%	4,665	0.9%
Total	20,231	20,317	(0.4%)	20,365	(0.7%)	20,336	(0.5%)	17,860	18,253	(2.2%)	17,836	0.1%	17,862	0.0%

## NOTES:

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

<sup>2</sup> Administration primarily includes our Sales Support, Information Technology, Finance and Accounting, Human Resources, and senior leadership roles and functions.



# In-Market Location Statistics

BRANCH STATISTICS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>New Branch Openings</b>											
1Q	37	28	11	9	2	17	5	0	3	3	2
2Q	38	25	22	8	6	10	5	5	3	4	5
3Q	19	20	11	5	5	8	5	3	2	3	1
4Q	28	7	9	2	28	5	3	3	4	2	
Cumulative	122	80	53	24	41	40	18	11	12	12	8
<b>Closed/Converted Branches, Net (Annual)</b>	(27)	(13)	(18)	(74)	(56)	(159)	(138)	(167)	(125)	(123)	(152)
<b>Branch Count</b>	2,585	2,652	2,687	2,637	2,622	2,503	2,383	2,227	2,114	2,003	1,859
<b>Active Onsites</b>				214	264	401	605	894	1,114	1,265	1,367
<b>TOTAL IN-MARKET LOCATIONS</b>	2,585	2,652	2,687	2,851	2,886	2,904	2,988	3,121	3,228	3,268	3,226

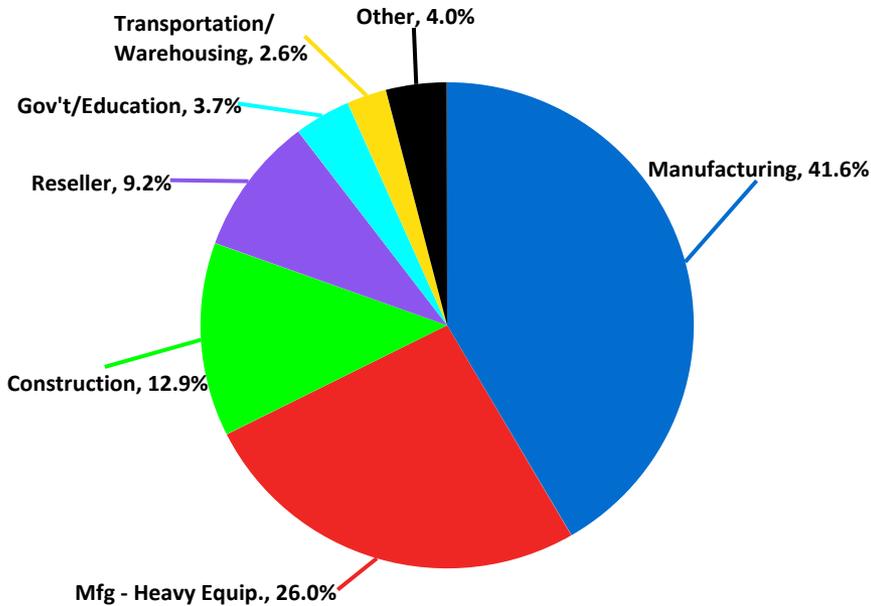
## NOTES:

- As of September 30, 2021, includes 2,674 in-market locations in the U.S., 261 in Canada, 167 in Mexico & Caribbean, and 124 in the rest of the world.
- Branch Count includes all locations that sell to multiple customer accounts (primarily our traditional and overseas branches) and excludes locations that sell to single customer accounts (primarily our 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.

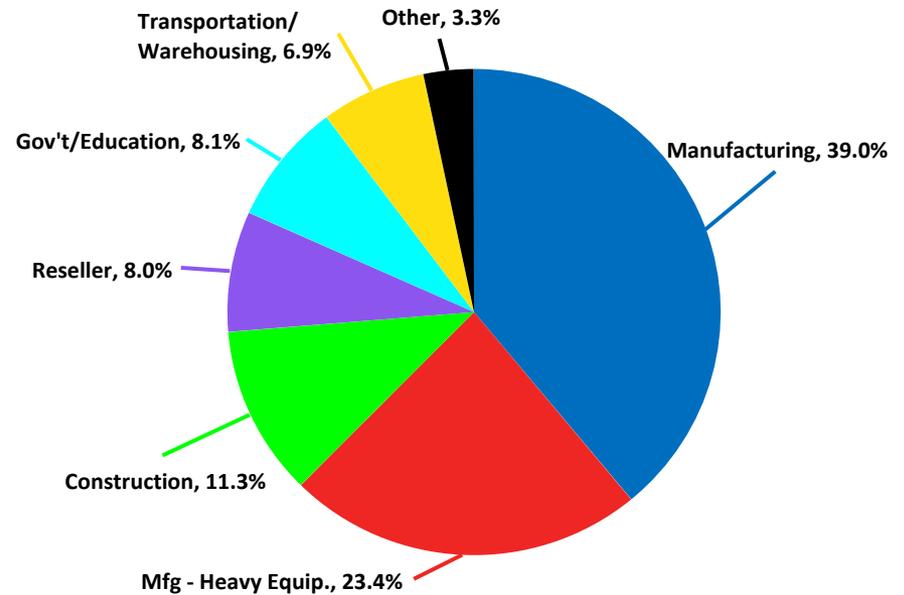


# End Market Profile

## End Market Mix — 2019



## End Market Mix — 2020



### MAJOR SEGMENT GROWTH

(Daily Sales rates)

		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Year-to-Date
<b>Manufacturing</b> (incl. Heavy Equip.)	2021	4.8%	0.6%	10.8%	30.8%	18.9%	24.3%	22.5%	19.7%	20.1%				16.7%
	2020	4.3%	6.2%	(1.1%)	(15.6%)	(4.2%)	(8.2%)	(5.5%)	(5.0%)	(3.8%)	(0.1%)	1.4%	4.6%	(2.5%)
<b>Construction</b>	2021	(8.9%)	(14.4%)	0.0%	11.9%	4.4%	2.5%	9.5%	10.1%	11.7%				2.9%
	2020	3.2%	4.9%	(7.8%)	(15.5%)	(9.8%)	(5.5%)	(9.6%)	(13.5%)	(11.3%)	(9.9%)	(10.2%)	(8.6%)	(8.1%)