



# Investor Teleconference Presentation Third Quarter 2017



Fastenal Company  
October 11, 2017

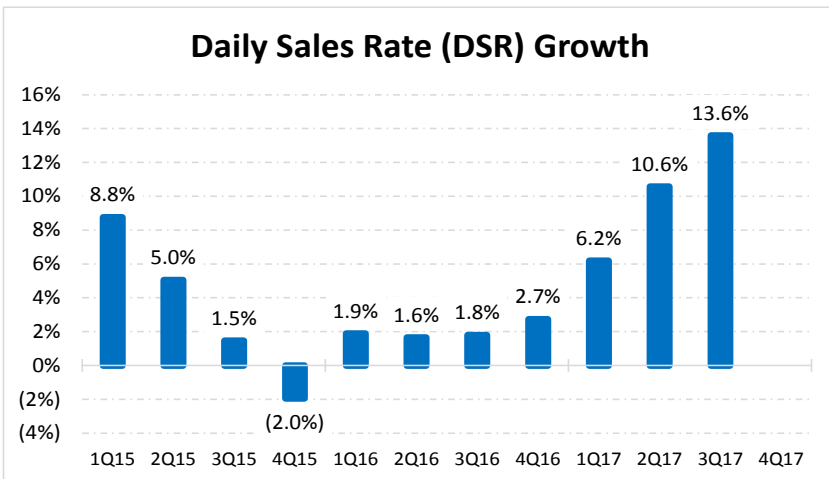
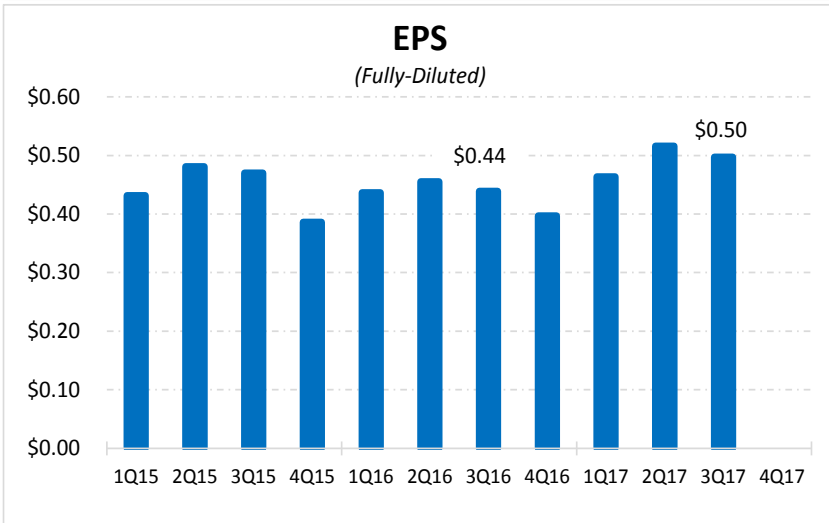


# Safe Harbor Statement

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, 2016 filed with the Securities & 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 3Q17

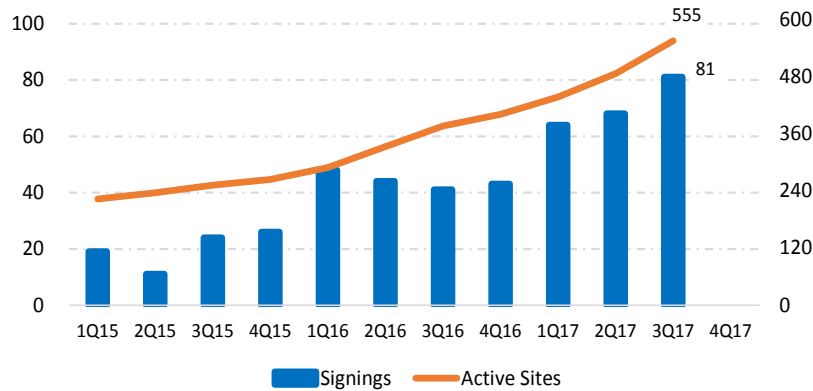


- Sales growth accelerated in 3Q17 and through September. Year-to-date daily sales growth, at 10.1%, returned to double-digits for the first time since 2014.
- Growth drivers continue to gain traction. Onsite had record 3Q17 signings, putting us on track for 275-300 signings. Vending and national account sales are outgrowing the overall business.
- Operating expense leverage—despite one fewer day in the period—produced a higher operating margin. It also more than offset a gross margin affected by storms, mix and fewer organizational tailwinds. Year-to-date, SG&A as a percent of sales is at a record low.
- Our 3Q17 operating cash flow generation was a record for any third quarter.



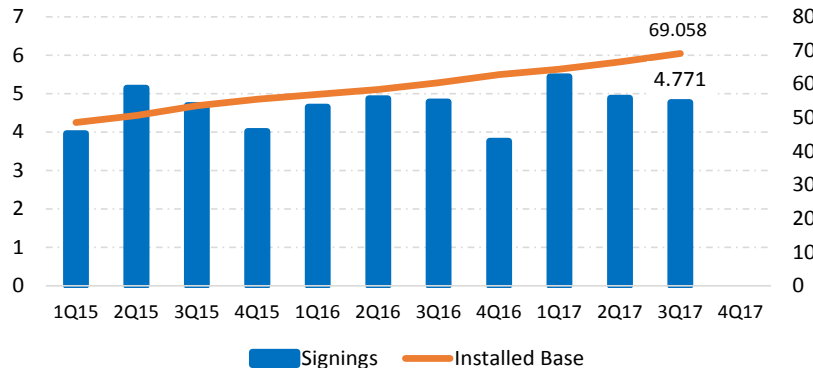
# 3Q17 Growth Driver Update

### Onsite Signings and Active Sites



- Signed 81 Onsites, finishing with 555 active sites (up 47.6% from 3Q16). Our 2017 goal remains 275–300 signings (vs. 176 signings in 2016).
- Total in-market<sup>1</sup> sites were 2,973 in 3Q17, up from 2,921 in 3Q16. This reflects a slight decline in our public branch count, more than offset by a higher Onsite count.
- We signed 4,771 vending devices (down 0.3% from 3Q16). Product sales through these devices rose double digits and we experienced a lower rate of device removal in 3Q17.
- National Accounts daily sales rose 17.3% in 3Q17 vs 3Q16.

### Vending Device Signings and Installed Base<sup>2</sup> (in thousands)

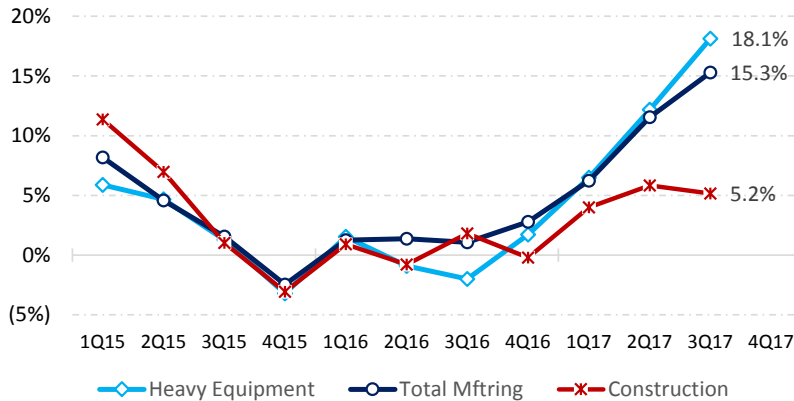


<sup>1</sup>In-market locations include public branches (U.S. and ROW) plus Onsites  
<sup>2</sup>Vending data excludes units related to our leased locker program

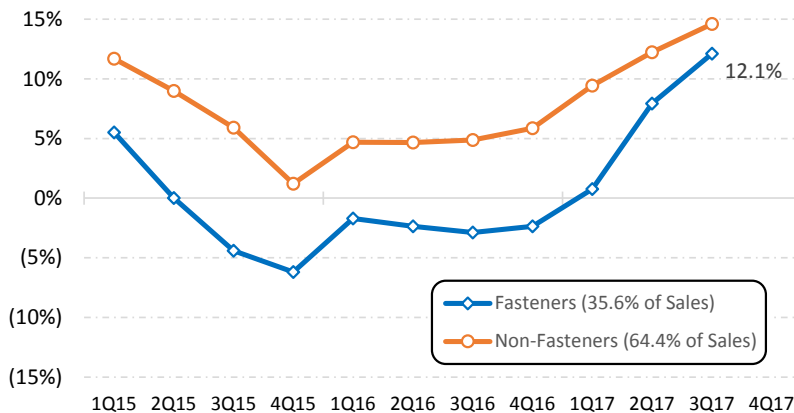


# 3Q17 Business Cadence

End Market DSRs <sup>1</sup>



Product Category DSRs



- The U.S. PMI averaged 58.6 in 3Q17, vs. 51.2 in 3Q16 and 55.8 in 2Q17.
- U.S. Industrial Production was up 2.0% in July/Aug. 2017 vs. 3Q16 and up 0.1% vs. 2Q17.
- End markets remain positive. Manufacturing, led by heavy machinery, general industrial and transportation, continues to drive growth. Sales to smaller accounts (non-National Accounts) accelerated in 3Q17.
- Fastener daily sales rose 12.1% in 3Q17 vs. 3Q16; Mansco contributed 3.8 percentage points (pps) to this growth. Non-fastener daily sales accelerated and were up 14.6% in 3Q17.
- Sales at 64% of our branches grew in 3Q17, vs. 62% in 2Q17. Of our Top 100 National Accounts, 72 grew in 3Q17, from 68 in 2Q17.

<sup>1</sup> 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.



# 3Q17 Results Summary

## Annual Rates of Change 3Q17 3Q16 % Chg.

*Dollar amounts in millions, except per share amounts*

Net Sales	\$1,132.8	\$1,013.1	11.8%
DSR Yr./Yr. % Chg.	---	---	13.6%
Gross Profit	\$555.9	\$499.8	11.2%
Gross Profit Margin	49.1%	49.3%	(20) bps
Employee-Related Exp.	---	---	12.3%
Occupancy-Related Exp.	---	---	1.5%
Selling Transportation Exp.	---	---	2.7%
Operating Income	\$228.5	\$202.9	12.6%
Operating Income Margin	20.2%	20.0%	20 bps
EPS (Fully-Diluted)	\$0.50	\$0.44	13.4%
Onsite Signings	81	41	97.6%
Vending Device Signings	4,771	4,783	(0.3%)
Branch Count	2,418	2,545	(5.0%)
Branch FTE	11,480	11,175	2.7%
Total FTE	17,329	16,811	3.1%
Operating Cash Flow	\$162.6	\$133.4	21.9%
% of Net Earnings	113.7%	105.1%	---
Capital Expenditures (Net)	\$23.7	\$71.7	(66.9%)
Dividends	\$92.0	\$86.7	6.1%
Dividends Per Share	\$0.32	\$0.30	6.7%
Share Repurchase	\$25.9	\$0.0	---
Total Debt	\$440.0	\$445.0	(1.1%)
Tot. Debt/Capital	17.8%	18.9%	(5.8%)

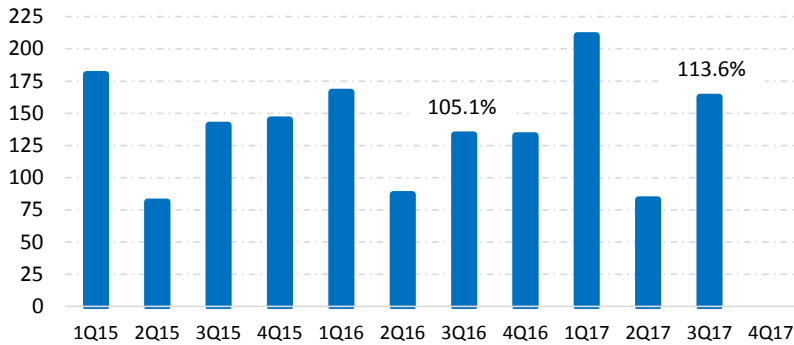
*Percentage calculations may not be able to be reproduced due to rounding of dollar values.*

- *On an annual basis, gross margin was 49.1% in 3Q17, from 49.3% in 3Q16, reflecting mix, the impact of storms, and inclusion of Mansco.*
- *Price/cost was consistent sequentially from 2Q17 to 3Q17, while organizational variables were less favorable.*
- *Expanded operating margin 20 bps to 20.2% by leveraging occupancy and transportation. The incremental operating margin was 21.3%. YTD SG&A (ex. D&A) as a percentage of sales of 26.1% has never been lower.*
- *Public branches were down 31 net sites in 3Q17 vs. 2Q17, to a total of 2,418. We also had two public branch conversions. Absolute headcount was up 68 in 3Q17 vs. 2Q17.*



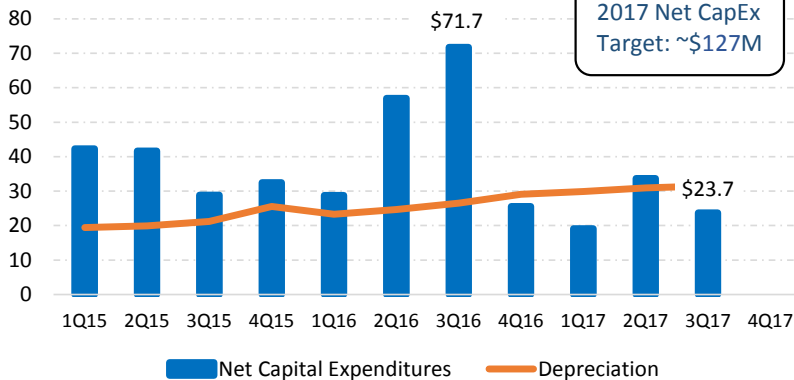
# 3Q17 Cash Flow Profile

**Operating Cash Flow**  
(in millions)



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

**Net Capital Expenditures and Depreciation**  
(in millions)



- Generated operating cash flow of \$162.6M in 3Q17, up 21.9% and a conversion rate of 113.6%. This largely reflects better operating results.
- Net capital spending of \$23.7M in 3Q17 fell 66.9% from 3Q16 on the absence of spending on leased lockers. Full year expectations for capital spending remains \$127M.
- We repurchased \$25.9M in stock in 3Q17 at an average price of \$43.03 per share.
- Total debt was 17.8% of total capital in 3Q17, slightly below 2Q17 (18.3%) and 3Q16 (18.9%).



# 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.*





# Return on Invested Capital

## Calculation of Return on Invested Capital

<i>(Amounts in millions)</i>	TTM 3Q17	TTM 3Q16
Operating Income	\$861.0	\$792.5
(Income Tax Expense)	(\$312.1)	(290.5)
<b>NOPAT</b>	<b>\$548.9</b>	<b>\$502.0</b>
Total Current Assets	\$1,853.9	\$1,725.3
Cash and Cash Equivalents	(140.2)	(129.4)
Accounts Payable	(132.4)	(124.9)
Accrued Expenses	(193.9)	(191.9)
Property & Equipment, Net	896.8	857.4
Other Assets, Net	65.4	30.1
<b>Invested Capital</b>	<b>\$2,349.6</b>	<b>\$2,166.7</b>
<b>ROIC</b>	<b>23.4%</b>	<b>23.2%</b>

\* Amounts may not foot due to rounding differences.

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

<i>(Amounts in millions)</i>	TTM 3Q17	TTM 3Q16
Net Earnings	\$541.0	\$496.6
Total Assets	\$2,816.0	\$2,612.9
<b>ROA</b>	<b>19.2%</b>	<b>19.0%</b>
NOPAT	\$548.9	\$502.0
Add: Income Tax Expense	<u>\$312.1</u>	<u>290.5</u>
Operating Income	\$861.0	792.5
Add: Interest Income	0.5	0.3
Subtract: Interest Expense	(8.4)	(5.7)
Subtract: Income Tax Expense	(312.1)	(290.5)
<b>Net Earnings</b>	<b>\$541.0</b>	<b>\$496.6</b>
Invested Capital	\$2,349.6	\$2,166.7
Add: Cash and Cash Equivalents	140.2	129.4
Add: Accounts Payable	132.4	124.9
Add: Accrued Expenses	193.9	191.9
<b>Total Assets</b>	<b>\$2,816.0</b>	<b>\$2,612.9</b>



# 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.
<b>BENCHMARK</b>	(1.1%)	0.9%	4.5%	5.5%	(1.0%)	1.9%	1.8%	8.4%	(3.7%)	3.8%	1.8%	10.3%	(2.4%)	7.6%	(3.7%)	(6.9%)
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%				
Delta v. Benchmark	1.3%	0.6%	(0.9%)	(0.4%)	3.1%	(0.5%)	1.0%	3.6%	1.3%	(1.6%)	2.0%	5.7%				
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%)
Delta v. Benchmark	1.5%	(1.7%)	(3.0%)	(4.8%)	2.7%	(1.3%)	(1.9%)	(5.5%)	1.4%	(1.4%)	(0.2%)	(5.8%)	1.5%	(4.0%)	(1.8%)	0.3%
2015 DSR	(3.6%)	(0.1%)	4.2%	4.0%	(2.1%)	3.4%	0.9%	6.3%	(4.3%)	4.1%	(0.9%)	5.0%	(2.0%)	2.9%	(3.0%)	(8.4%)
Delta v. Benchmark	(2.5%)	(1.0%)	(0.4%)	(1.5%)	(1.1%)	1.4%	(0.9%)	(2.1%)	(0.6%)	0.3%	(2.7%)	(5.3%)	0.4%	(4.7%)	0.7%	(1.5%)
2014 DSR	(1.4%)	3.0%	7.1%	10.3%	(2.6%)	4.2%	2.5%	14.8%	(3.8%)	5.8%	1.0%	18.0%	(1.5%)	16.2%	(2.7%)	(5.9%)
Delta v. Benchmark	(0.3%)	2.1%	2.6%	4.8%	(1.6%)	2.3%	0.7%	6.4%	(0.1%)	2.0%	(0.8%)	7.7%	0.9%	8.6%	0.9%	1.1%

DAYS COUNT															TOTAL		
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
2015	21	20	22		22	20	22		22	21	21		22		20	21	254
2014	22	20	21		22	21	21		22	21	21		23		19	20	253

\* The acquisition of Mansco increased the 2017 DSRs for April and the Jan. to June Cumulative Change by 1.3pps each; it decreased the 2017 DSR for June by 0.1pp.

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

## NOTES:

- Easter was in April in 2017, versus March in 2016. This shift was a roughly 50 bps benefit to 1Q17 and a roughly 50 bps drag to 2Q17.
- We began to use a benchmark based on a five-year average (2012–2016) in 2017. Previously, we used longer-term averages.
- Amounts may not foot due to rounding differences.



# Employee Statistics

HEADCOUNT STATISTICS	Absolute Count				
	3Q17	3Q16	Change	4Q16	Change
Branches/Onsites	13,298	13,097	1.5%	12,966	2.6%
Non-Branch Selling	1,668	1,593	4.7%	1,575	5.9%
Selling Personnel	14,966	14,690	1.9%	14,541	2.9%
Distribution	3,479	3,432	1.4%	3,403	2.2%
Manufacturing	636	600	6.0%	594	7.1%
Administrative	1,161	1,142	1.7%	1,086	6.9%
Non-Selling Personnel	5,276	5,174	2.0%	5,083	3.8%
Total Personnel	20,242	19,864	1.9%	19,624	3.1%

		FTE Count				
3Q17	3Q16	Change	4Q16	Change		
11,480	11,175	2.7%	10,797	6.3%		
1,638	1,550	5.7%	1,528	7.2%		
13,118	12,725	3.1%	12,325	6.4%		
2,502	2,449	2.2%	2,330	7.4%		
604	573	5.4%	571	5.8%		
1,105	1,064	3.9%	1,039	6.4%		
4,211	4,086	3.1%	3,940	6.9%		
17,329	16,811	3.1%	16,265	6.5%		

## NOTES:

- FTE – “Full-Time Equivalent”. FTE is based on 40 hours per week.
- Mansco had 123 employees (113 FTE) at the end of September 2017 that were not in the other periods. Its inclusion in the figures above increased the year-over-year (3Q17 versus 3Q16) percentage change in total absolute and FTE headcount by 0.6pps and 0.7pps, respectively, and increased the year-to-date (3Q17 versus 4Q16) percentage change in total absolute and FTE headcount by 0.6pps and 0.7pps, respectively.



# Branch Statistics

BRANCH STATISTICS	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>New Branch Openings</b>											
1Q	73	53	33	29	37	28	11	9	2	17	5
2Q	50	59	9	16	38	25	22	8	6	10	5
3Q	24	28	3	45	19	20	11	5	5	8	5
4Q	14	21	24	37	28	7	9	2	28	5	
Cumulative	161	161	69	127	122	80	53	24	41	40	15
<b>Closed/Converted Locations</b>											
Closed Locations											
Closed (Curr. Quarter)	0	0	(1)	0	(11)	(6)	(2)	(41)	(9)	(65)	(36)
Closed (Annual)	(1)	(8)	(10)	(7)	(28)	(16)	(16)	(73)	(50)	(144)	(93)
Converted Locations (Annual)											
Branch-to-Customer Only	0	(2)	(1)	(1)	0	0	(2)	(2)	(6)	(16)	(7)
Customer Only-to-Branch	0	0	0	2	1	3	0	1	0	1	0
Cumulative	(1)	(10)	(11)	(6)	(27)	(13)	(18)	(74)	(56)	(159)	(100)
<b>YEAR-END BRANCH COUNT</b>	<b>2,160</b>	<b>2,311</b>	<b>2,369</b>	<b>2,490</b>	<b>2,585</b>	<b>2,652</b>	<b>2,687</b>	<b>2,637</b>	<b>2,622</b>	<b>2,503</b>	<b>2,418</b>

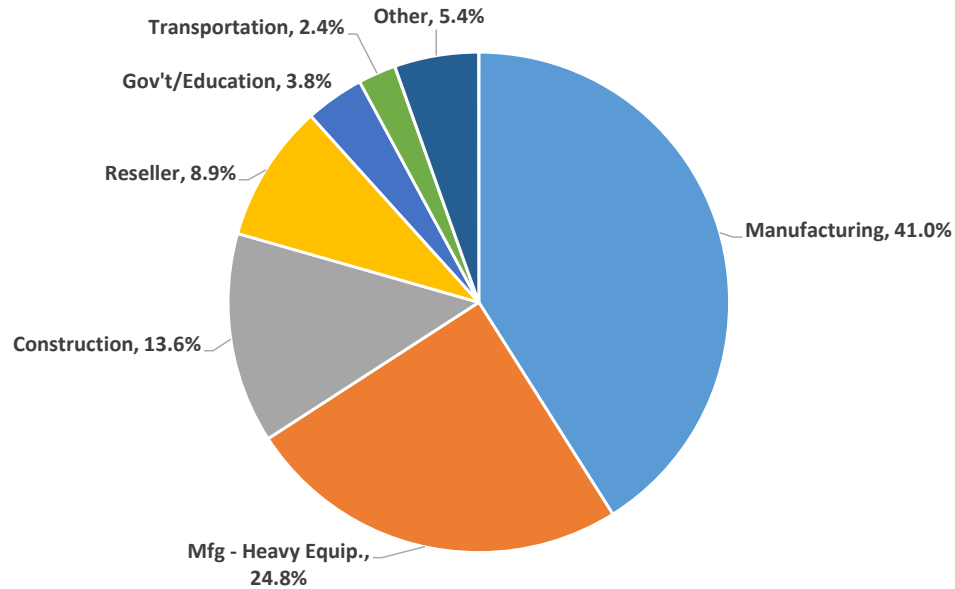
## NOTES:

- As of September 30, 2017, includes 2,121 branches in the U.S., 195 in Canada, and 102 in the rest of the World.
- Branch Count includes all locations that sell to multiple accounts (traditional branches, overseas branches, and strategic accounts branches). It excludes locations that sell to single accounts (strategic accounts sites and Onsites).



# End Market Profile

## End Market Mix -- 2016



### NOTES: Reclassified 2016-2017 Growth Rates for Manufacturing and Construction Sectors

MAJOR SEGMENT GROWTH (Daily Sales Rates)		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Year
<b>Manufacturing</b> (inc. Heavy Equip.)	2017	3.6%	6.4%	8.4%	9.2%	10.3%	14.9%	14.4%	14.6%	16.9%				
	2016	2.7%	1.8%	(0.5%)	3.9%	1.1%	(0.9%)	1.5%	(0.3%)	2.0%	3.1%	1.3%	4.2%	1.6%
<b>Construction</b>	2017	0.1%	4.8%	6.6%	5.8%	6.0%	5.7%	5.7%	5.0%	4.9%				
	2016	2.9%	1.9%	(1.8%)	0.2%	(1.7%)	(0.9%)	1.2%	0.4%	3.4%	3.4%	(2.4%)	(1.7%)	0.4%