



Investor Teleconference Presentation Second Quarter 2017



Fastenal Company
July 12, 2017

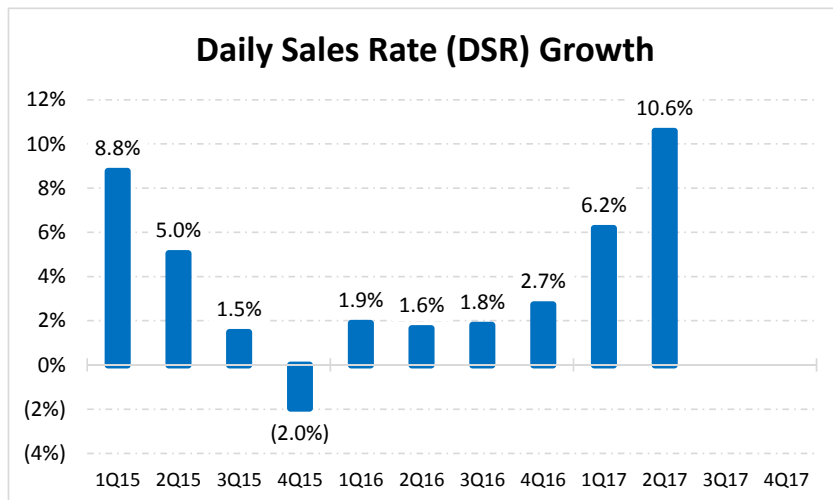
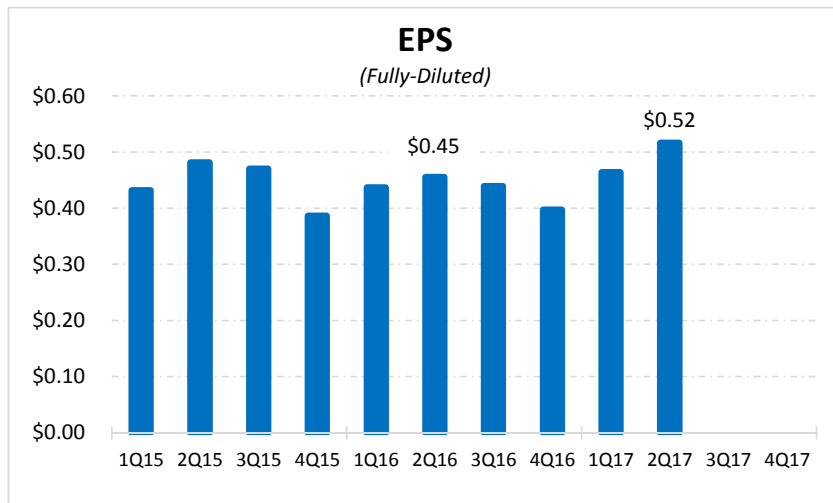


Safe Harbor Statement

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.



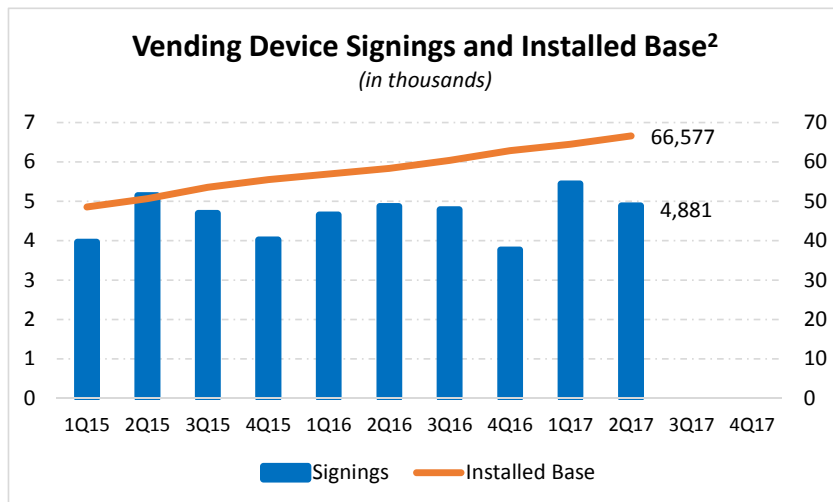
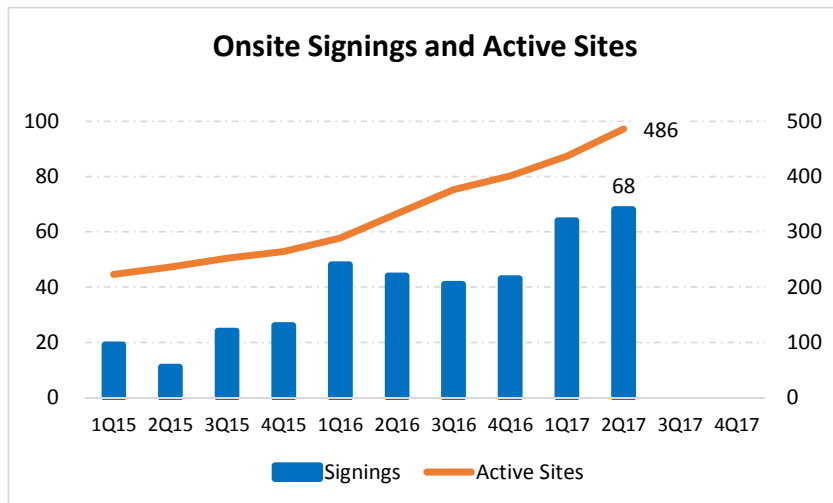
CEO Messages on 2Q17



- *Sales growth returned to double digits in 2Q17. Underlying demand improved, but we outpaced the market due to continued momentum in key growth drivers (Onsite, vending, CSP/construction, etc.).*
- *We continue to control operating costs, despite a growth-related compensation increase. As a result, incremental margins topped 25% and pre-tax growth (13.3%) exceeded sales growth (10.6%)*
- *We are encouraging Fastenal's leaders to think big about our future with long-term planning.*
- *Mansco exceeded expectations and was accretive, though not meaningfully so.*



2Q17 Growth Driver Update

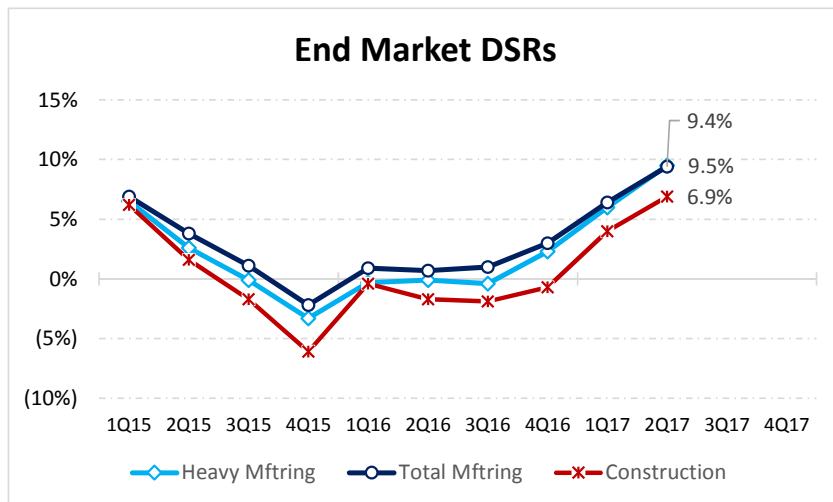
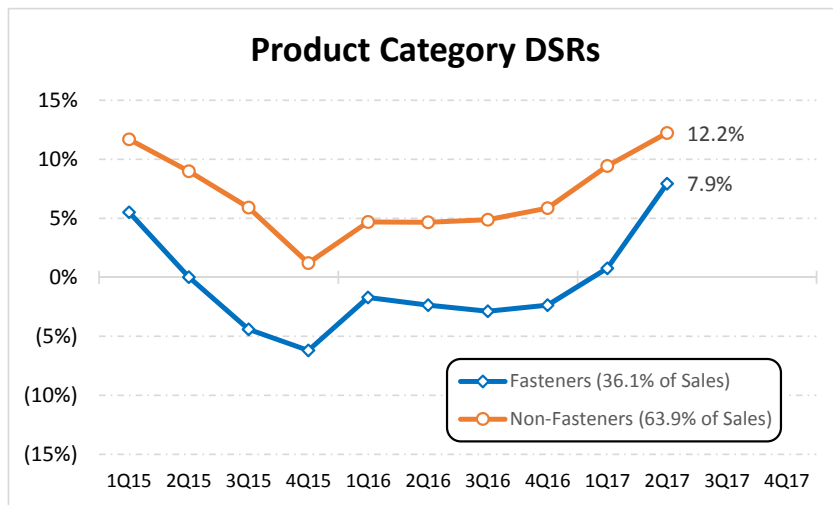


- Signed 68 Onsites, finishing with 486 active sites (up 45.9% from 2Q16). Our goal is 275-300 signings in 2017 (vs. 176 signings in 2016).
- Total in-market¹ sites were 2,937 in 2Q17, consistent with 2,938 in 2Q16.
- Signed 4,881 vending devices (up 0.3% from 2016). Product sales through machines grew double digits. Our goal remains 22,000 gross signings in 2017.
- National Accounts sales rose 13.2% in 2Q17 vs 2Q16.
- Sales of CSP products—including CSP 16 stock put into the branches in 2016—grew faster than the company’s sales generally and were a catalyst to renewed construction growth.

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



2Q17 Business Cadence



- *The U.S. PMI averaged 55.8 in 2Q17, vs. 51.5 in 2Q16 and 57.0 in 1Q17.*
- *U.S. Industrial Production was up 2.1% in Apr./May 2017 vs. 2Q16 and up 1.3% vs. 1Q17.*
- *End markets remain positive. Heavy machinery, general industrial and transportation accelerated through the period. E&C remains healthy.*
- *Fastener daily sales rose 7.9% in 2Q17 vs. 2Q16; Mansco contributed 3.6 percentage points (pps) to this growth. Non-fastener daily sales accelerated and were up 12.2% in 2Q17.*
- *Sales at 62% of our branches grew in 2Q17, from 58% on 1Q17. Sales to 68 of our Top 100 National Accounts grew in 2Q17, from 64 in 1Q17.*



2Q17 Results Summary

Annual Rates of Change 2Q17 2Q16 % Chg.

Dollar amounts in millions, except per share amounts

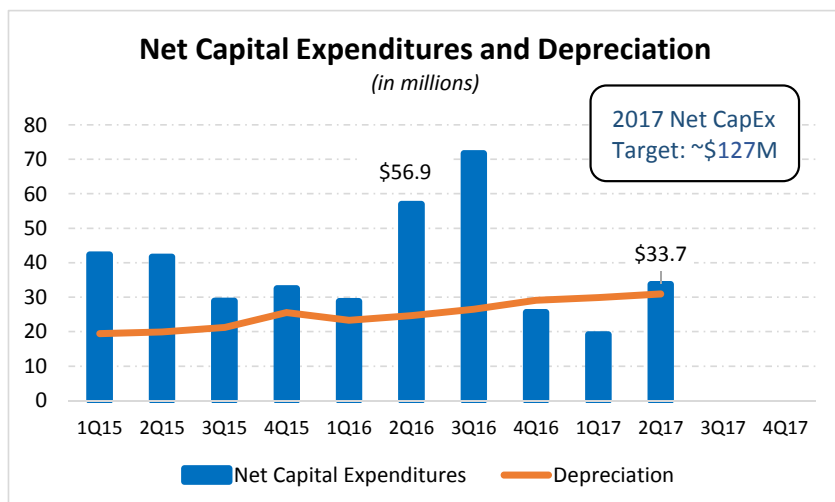
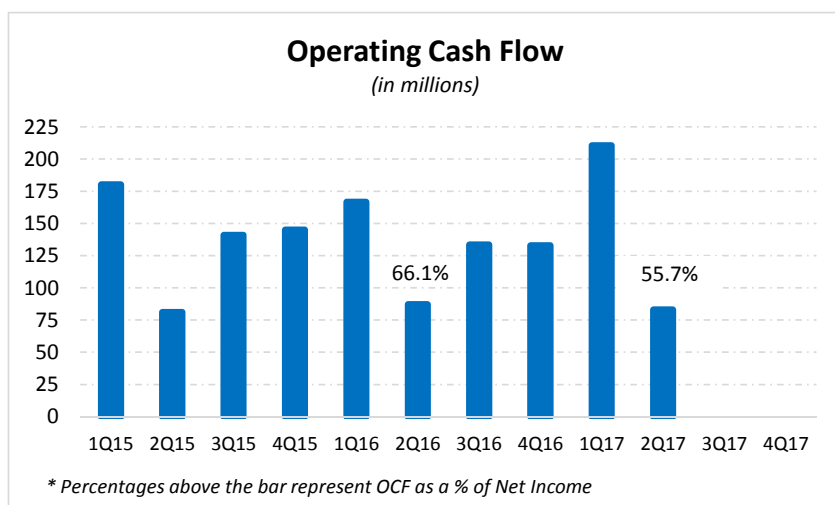
Net Sales	\$1,121.5	\$1,014.3	10.6%
DSR Yr./Yr. % Chg.	---	---	10.6%
Gross Profit	\$558.5	\$501.6	11.3%
Gross Profit Margin	49.8%	49.5%	30 bps
Employee-Related Exp.	---	---	9.3%
Occupancy-Related Exp.	---	---	3.4%
Selling Transportation Exp.	---	---	3.2%
Operating Income	\$237.5	\$209.2	13.5%
Operating Income Margin	21.2%	20.6%	60 bps
EPS (Fully-Diluted)	\$0.52	\$0.45	13.4%
Onsite Signings	68	44	54.5%
Vending Device Signings	4,881	4,869	0.3%
Branch Count	2,451	2,605	(5.9%)
Branch FTE	11,760	11,845	(0.7%)
Total FTE	17,612	17,660	(0.3%)
Operating Cash Flow	\$82.9	\$87.0	(4.7%)
% of Net Earnings	55.7%	66.2%	---
Capital Expenditures (Net)	\$33.7	\$56.9	(40.8%)
Dividends	\$92.5	\$86.7	6.8%
Dividends Per Share	\$0.32	\$0.30	6.7%
Share Repurchase	\$56.7	\$0.0	---
Total Debt	\$445.0	\$430.0	3.5%
Tot. Debt/Capital	18.3%	18.7%	

- *Gross margin rose from 2Q16 to 2Q17, with effects of mix and Mansco offset by supply chain gains (more in-market inventory, faster growth in Fastenal brands, etc.). The gain sequentially reflected the same effects, as well as moderating freight drag.*
- *Product pricing increased modestly in 2Q17 in response to inflationary conditions.*
- *Leveraged key elements of operating expense, including selling-related transportation. The incremental operating margin was 26.4%.*
- *FTE was slightly lower year-over-year (despite Mansco), but may rise in 2H17 due to demand and harder comparisons. We still expect to leverage this expense.*

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



2Q17 Cash Flow Profile



- *Our 2Q17 operating cash flow was broadly consistent with 2Q16. The sequential decline reflected seasonality. The full-year cash flow outlook remains positive.*
- *Net capital spending of \$33.7M fell 40.8% from 2Q16 to 2Q17 due to the absence of spending on leased lockers. We raised expectations regarding our full-year spending to \$127M (was \$119M) due to higher anticipated spending on supply chain and IT.*
- *We repurchased \$56.7M in stock in 2Q17 at an average price of \$43.62 per share. The board authorized the company to repurchase up to another 5M shares.*
- *Total debt was 18.3% of total capital in 2Q17, consistent with the prior year.*



Appendix

Non-GAAP Financial Measures

This document 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 2Q17	TTM 2Q16
Operating Income	\$835.4	\$809.5
(Income Tax Expense)	(\$303.5)	(298.9)
NOPAT	\$531.9	\$510.6
Total Current Assets	\$1,831.9	\$1,727.1
Cash and Cash Equivalents	(135.3)	(138.3)
Accounts Payable	(149.9)	(146.1)
Accrued Expenses	(178.5)	(179.5)
Property & Equipment, Net	877.3	832.7
Other Assets, Net	66.0	30.2
Invested Capital	\$2,311.6	\$2,126.2
ROIC	23.0%	24.0%

Reconciliation of ROIC to Return on Assets (ROA)

<i>(Amounts in millions)</i>	TTM 2Q17	TTM 2Q16
Net Earnings	\$524.8	\$506.1
Total Assets	\$2,775.3	\$2,590.0
ROA	18.9%	19.5%
NOPAT	\$531.9	\$510.6
Add: Income Tax Expense	<u>\$303.5</u>	<u>298.9</u>
Operating Income	\$835.4	809.5
Add: Interest Income	0.5	0.4
Subtract: Interest Expense	(7.6)	(4.8)
Subtract: Income Tax Expense	(303.5)	(298.9)
Net Earnings	\$524.8	\$506.1
Invested Capital	\$2,311.6	\$2,126.2
Add: Cash and Cash Equivalents	135.3	138.3
Add: Accounts Payable	149.9	146.1
Add: Accrued Expenses	178.5	179.5
Total Assets	\$2,775.3	\$2,590.0

* 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	(1.1%)	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%								
Delta v. Benchmark	1.3%	0.6%	(0.9%)	(0.4%)	3.1%	(0.5%)	1.0%	3.6%								
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 Jun 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				
	2Q17	2Q16	Change	4Q16	Change
Branches/Onsites	13,335	13,499	(1.2%)	12,966	2.8%
Non-Branch Selling	1,664	1,639	1.5%	1,575	5.7%
Selling Personnel	14,999	15,138	(0.9%)	14,541	3.1%
Distribution	3,438	3,398	1.2%	3,403	1.0%
Manufacturing	625	624	0.2%	594	5.2%
Administrative	1,112	1,164	(4.5%)	1,086	2.4%
Non-Selling Personnel	5,175	5,186	(0.2%)	5,083	1.8%
Total Personnel	20,174	20,324	(0.7%)	19,624	2.8%

		FTE Count				
2Q17	2Q16	Change	4Q16	Change		
11,760	11,845	(0.7%)	10,797	8.9%		
1,635	1,604	1.9%	1,528	7.0%		
13,395	13,449	(0.4%)	12,325	8.7%		
2,549	2,506	1.7%	2,330	9.4%		
600	603	(0.5%)	571	5.1%		
1,068	1,102	(3.1%)	1,039	2.8%		
4,217	4,211	0.1%	3,940	7.0%		
17,612	17,660	(0.3%)	16,265	8.3%		

NOTES:

- FTE – “Full-Time Equivalent”. FTE is based on 40 hours per week.
- Mansco had 123 employees (120 FTE) at the end of June 2017 that were not in the other periods. Its inclusion in the figures above increased the year-over-year (2Q17 versus 2Q16) percentage change in total absolute and FTE headcount by 0.6pps and 0.7pps, respectively, and increased the year-to-date (2Q17 versus 4Q16) percentage change in total absolute and FTE headcount by 0.6pps and 0.8pps, respectively.



Branch Statistics

BRANCH STATISTICS	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
New Branch Openings											
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	
4Q	14	21	24	37	28	7	9	2	28	5	
Cumulative	161	161	69	127	122	80	53	24	41	40	10
Closed/Converted Locations											
Closed Locations											
Closed (Curr. Quarter)	0	0	(1)	(5)	(5)	(4)	(3)	(13)	(13)	(12)	(31)
Closed (Annual)	(1)	(8)	(10)	(7)	(28)	(16)	(16)	(73)	(50)	(144)	(57)
Converted Locations (Annual)											
Branch-to-Customer Only	0	(2)	(1)	(1)	0	0	(2)	(2)	(6)	(16)	(5)
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)	(62)
YEAR-END BRANCH COUNT	2,160	2,311	2,369	2,490	2,585	2,652	2,687	2,637	2,622	2,503	2,451

NOTES:

- *As of June 30, 2017, includes 2,155 branches in the U.S., 194 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).*