



Investor Teleconference Presentation Second Quarter 2020



Fastenal Company
July 14, 2020



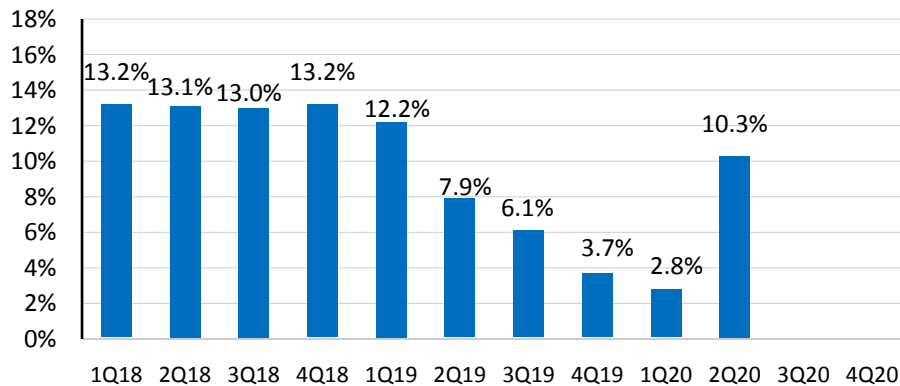
Safe Harbor Statement

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 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 Fastenal's Form 10-K for the year ended December 31, 2019 and subsequently filed Form 10-Qs filed with the Securities and Exchange Commission and our earnings release issued on July 14, 2020. 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.



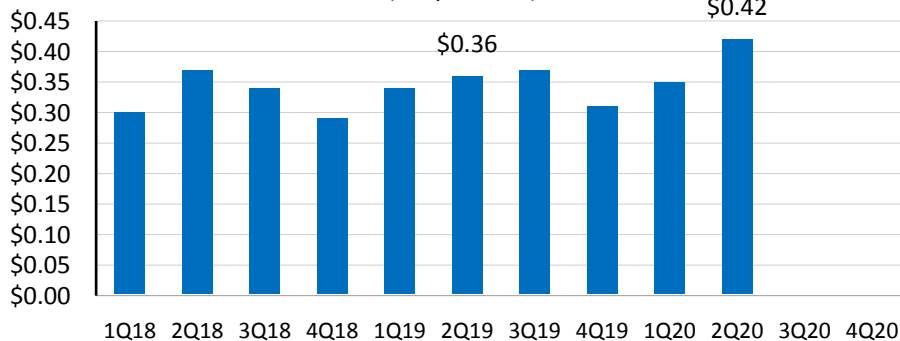
CEO Messages on 2Q20

Daily Sales Rate (DSR) Growth



EPS

(Fully Diluted)

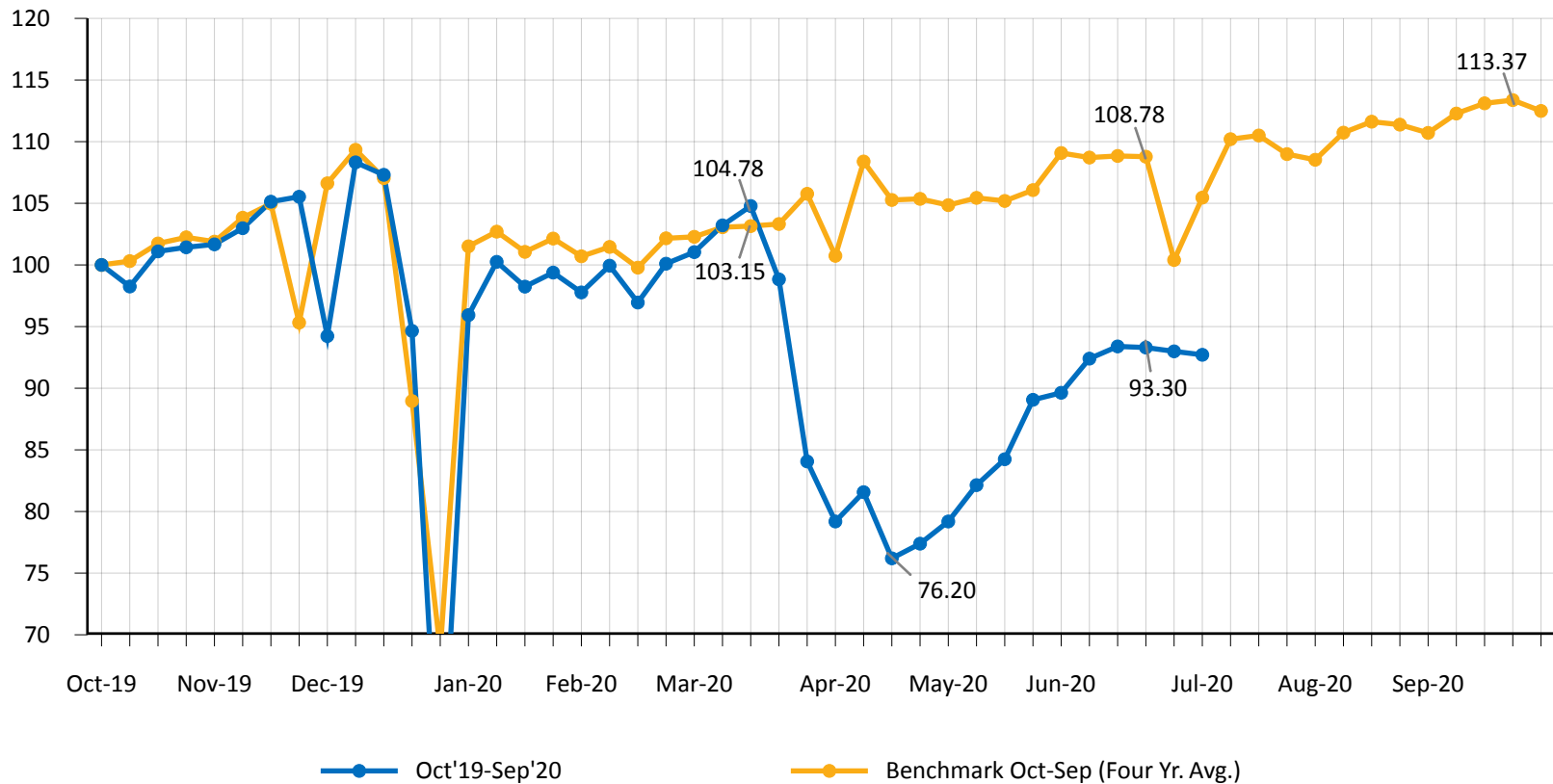


- 2Q20 was driven by personal protective equipment ('PPE') sales, good cost discipline, and resulting SG&A leverage. This PPE "surge" masked what were also weak field conditions across our business.
- The quarter was about five priorities: (1) asking our employees to focus on trust and fairness; (2) the safety of our people and customers; (3) supporting customers most directly involved in pandemic mitigation; (4) sustaining a supply chain of critical products for all customers; (5) utilizing our liquidity to support our business and, more broadly, society. The Blue Team can take great pride in what we achieved.
- The effects of the PPE surge show in our results, notably low gross margins and higher working capital. These areas should continue to normalize in 3Q20, though at what pace is uncertain and linked to the trajectory of the pandemic.
- Fastener daily sales, hub picks and vending dispenses point to business activity having bottomed in April and improved sequentially in both May and June (see vending data that follows).



CEO Messages on 2Q20

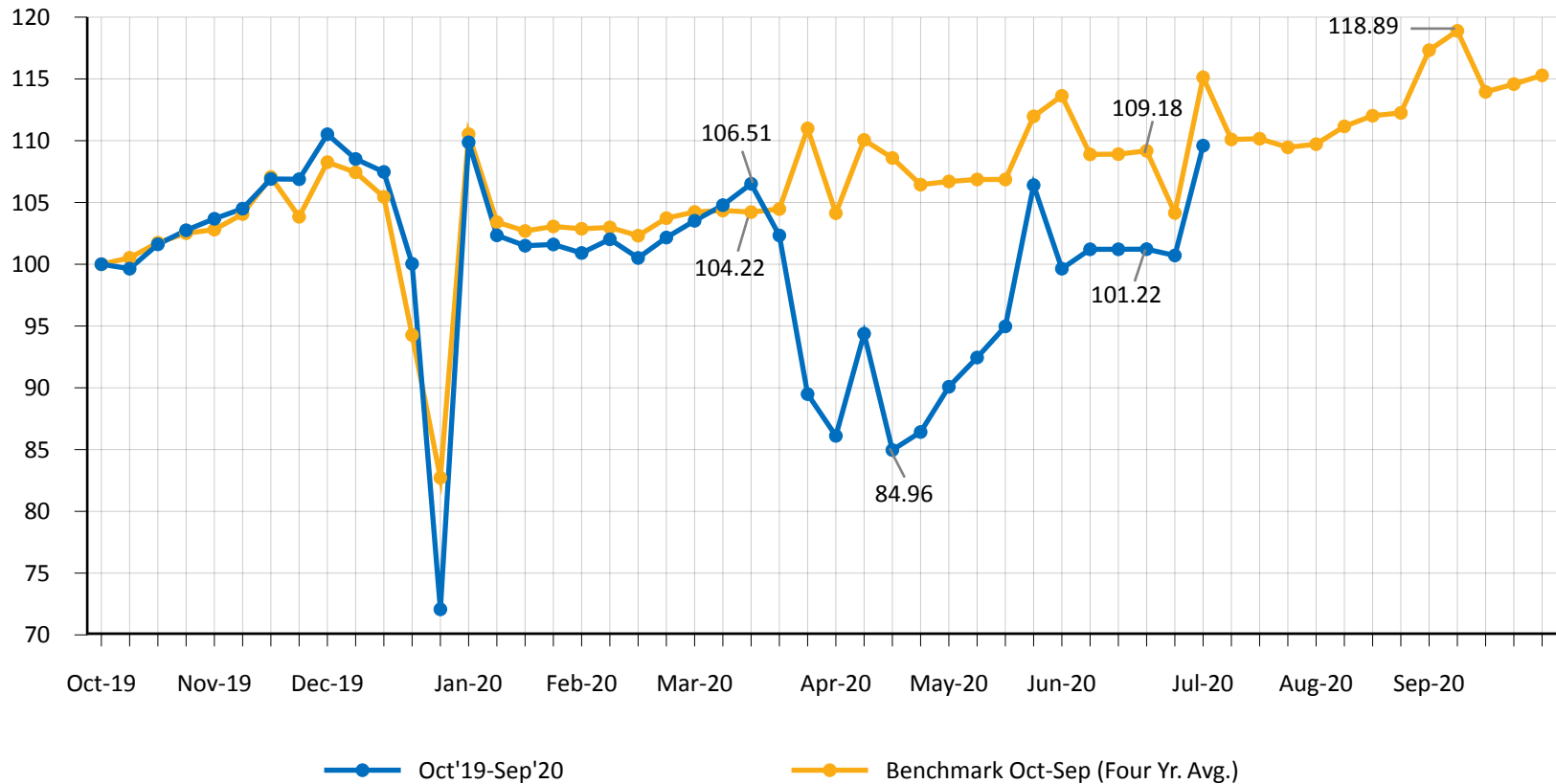
Product Dispenses Through Vending, by Week





CEO Messages on 2Q20

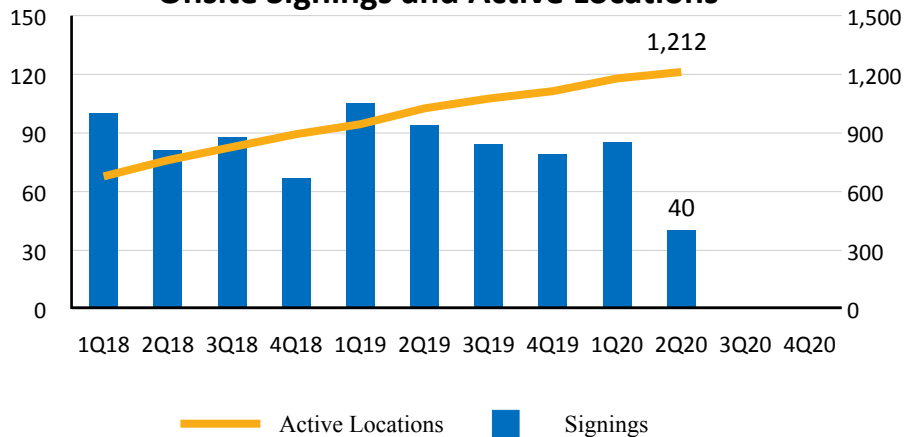
Unique Vending Device Users, by Week



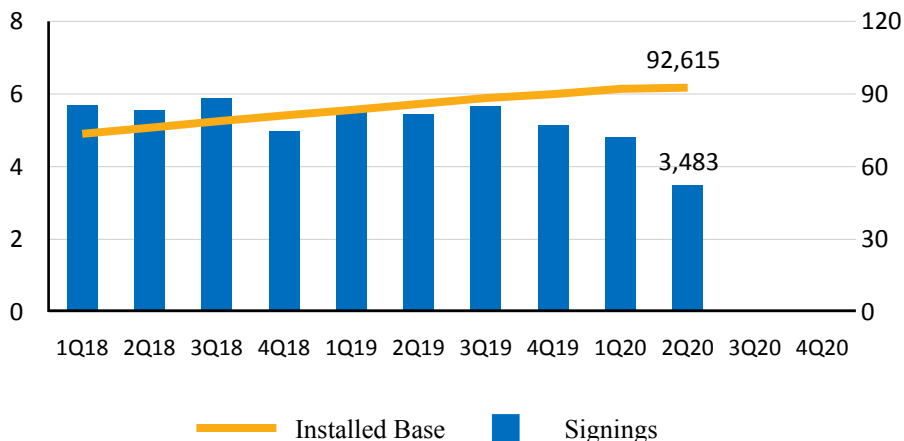


2Q20 Growth Driver Update

Onsite Signings and Active Locations



Vending Device Signings and Installed Base²



- Vending and Onsite signings bottomed in April, and while they have not returned to pre-COVID levels they did improve in May and June. These signings will continue to support our ability to gain market share. Visibility continues to make it difficult to provide signing ranges for 2020.
- **Onsites:** we signed 40 in 2Q20, finishing with 1,212 active sites, +18.1% from 2Q19. Daily sales growth, excluding transferred branch sales, fell high-single digits. Weak economic activity produced declining sales at more mature sites, exacerbated by Onsite closures. Closures were minimal at quarter end.
- Total in-market¹ locations were 3,272 at the end of 2Q20, up 2.5% from 3,191 at 2Q19. We closed/converted 35 traditional branches and 22 Onsites in 2Q20.
- **Vending:** we signed 3,483 devices in 2Q20 with an ending installed base of 92,615 devices, +7.9% from 2Q19. Product sales through our devices fell low-double digits. Poor economic activity and idled operations reduced per unit throughput.
- **E-commerce:** sales were +13.5% in 2Q20. Growth slowed in April along with the activity of our largest customers, but climbed back to mid-teens growth in May/June.

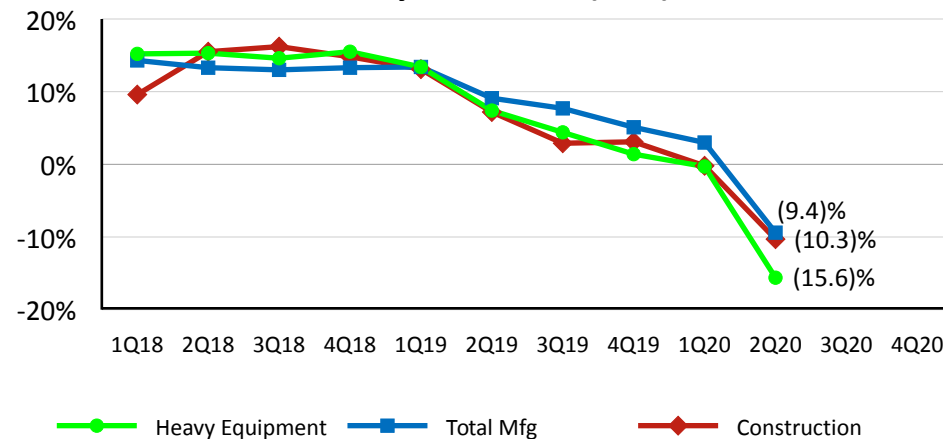
¹ In-market locations include global public branches and Onsites

² Data excludes ~15K vending devices related to a leased locker program



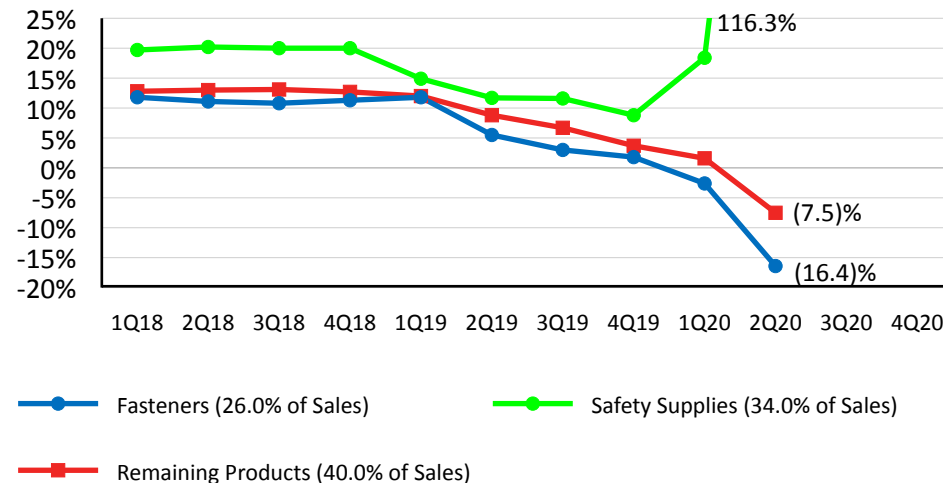
2Q20 Business Cadence

End Market Daily Sales Rate (DSR) Growth



- U.S. PMI averaged 45.7 in 2Q20 but was 52.6 in June. U.S. Industrial Production in Apr./May 2020 was -15.8% versus 2Q19. Economic activity among our customer base bottomed in April and improved sequentially in each of May and June. The pace of further gains in 3Q20 is unclear.
- 2Q20 safety daily sales were +116.3%. Growth was driven by PPE surge orders from government, health care, and critical infrastructure entities. Safety sales remained firm in June, but surge volumes moderated and the clearing of the PPE pipeline is accelerating.

Product Category Daily Sales Rate (DSR) Growth



- Fastener sales, which better reflect underlying economic conditions, were -16.4% in 2Q20 and -11.4% in June. Based on the trends in our fastener DSR, vending dispenses, and hub picks, we estimate economic activity is 10% to 15% below pre-COVID levels.
- National Accounts' daily sales were up about 12% in 2Q20, with 31 of our Top 100 customers growing. Non-National Account daily sales were up about 6%, with 39% of our branches growing in 2Q20.



2Q20 Results Summary

Annual Rates of Change	2Q20	2Q19	% Chg.
Dollar amounts in millions, except per share amounts			
Net Sales	\$1,509.0	\$1,368.4	10.3%
<i>Daily Sales</i>	23.6	21.4	10.3%
Gross Profit	\$671.6	\$641.2	4.7%
Gross Profit Margin	44.5%	46.9%	(240) bps
<i>Employee-Related Exp.</i>	—	—	(3.9%)
<i>Occupancy-Related Exp.</i>	—	—	(0.9%)
<i>All Other Oper/Admin Exp.</i>	—	—	(0.4%)
Operating Income	\$316.0	\$275.0	14.9%
Operating Income Margin	20.9%	20.1%	80 bps
EPS (Fully-Diluted)	\$0.42	\$0.36	16.7%
Onsite Signings	40	94	(57.4%)
Vending Device Signings	3,483	5,439	(36.0%)
In-market location count	3,272	3,191	2.5%
In-market location FTE	11,310	12,903	(12.3%)
Total FTE	17,814	19,660	(9.4%)
Operating Cash Flow	\$250.7	\$128.1	95.7%
% of Net Earnings	104.9%	62.6%	—
Capital Expenditures (Net)	\$38.2	\$66.8	(42.8%)
% of Net Sales	2.5%	4.9%	—
Dividends	\$143.2	\$123.1	16.3%
Share Repurchases	\$0.0	\$0.0	—
Total Debt	\$405.0	\$500.0	(19.0%)
Tot. Debt/Capital	12.7%	16.6%	—

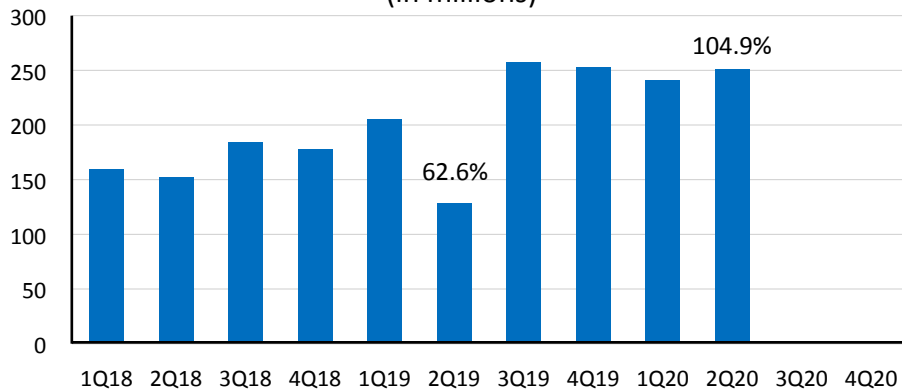
Percentage calculations may not be able to be reproduced due to rounding of dollar values.

- 2Q20 gross margin was 44.5%, –240 bps from 2Q19. The largest impacts were strong safety growth (mix) and lower safety product margins as we bought product from non-traditional sources. Softness in our traditional business led to deleveraging certain fixed costs and lower rebates.
- We expect gross margin to improve from the 2Q20 level. The pace and ultimate level will depend on the relative rate of normalization of our Onsite and safety growth, as well as where our post-COVID safety sales mix settles.
- 2Q20 operating margin was 20.9%, +80 bps from 2Q19. FTE reductions, stable occupancy costs, lower fuel and tight cost control produced lower operating expenses even as sales rose, generating a 29.2% incremental operating margin in the period.
- Demand improved through 2Q20 and some activities will resume, but we continue to hold operating costs below pre-COVID levels. This includes FTE, though much of the decline is in part-time headcount and hours worked; full-time headcount is off just 3.8% as we seek to retain talent.



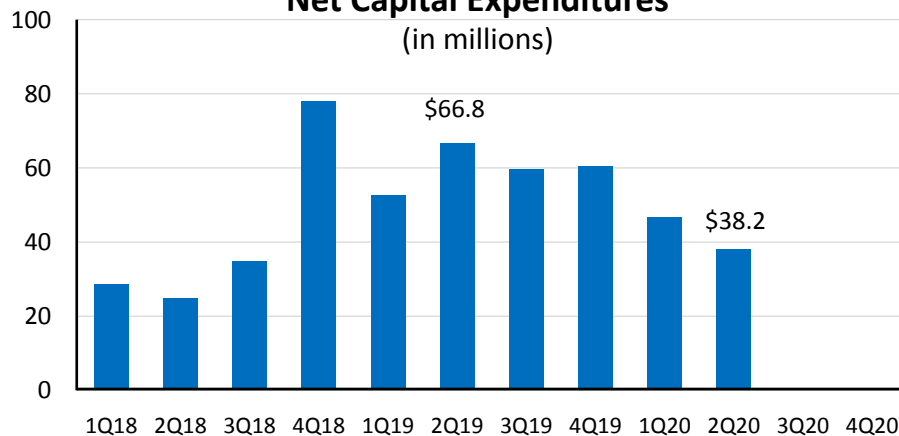
2Q20 Cash Flow Profile

Operating Cash Flow
(in millions)



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

Net Capital Expenditures
(in millions)



2020(E) Net CapEx: \$155.0 to \$180.0; 2019(A) Net Capex: \$239.8

- 2Q20 operating cash flow was \$250.7, or 104.9% of net earnings in the period. This was a combination of higher net earnings and the CARES Act-enabled deferral of \$111.5 in tax payments to future periods (\$103.9 into 3Q20).
- Inventory was +4.1% and accounts receivable was +7.5% in 2Q20. These increases largely reflect the increase in sales and our willingness to invest heavily in working capital to secure PPE and support our customer's abilities to ramp production as the economy re-opened.
- Net capital spending was \$38.2 in 2Q20, down from \$66.8 in 2Q19 as a result of lower spending on hub capacity, vending, and vehicles. Our 2020 net capital spending range is unchanged between \$155.0 and \$180.0.
- We returned \$143.2 of capital to shareholders via dividends in 2Q20.
- Our balance sheet is lightly leveraged at 12.7% of total capital. We converted variable debt to fixed in 2Q20, leaving \$664.0 of liquidity on our revolver.

Net Capital Expenditures = Property & Equipment, net of Proceeds from Sales



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 11 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, 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 11 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 2Q20	TTM 2Q19
Operating Income	\$ 1,108.1	1,032.1
(Income Tax Expense)	(264.0)	(253.0)
Tax Act Adjustment ¹	—	1.3
NOPAT	\$ 844.1	780.4
Total Current Assets	\$ 2,537.3	2,304.5
Cash and Cash Equivalents	(188.3)	(155.3)
Accounts Payable	(199.0)	(188.0)
Accrued Expenses	(232.1)	(215.2)
Property & Equipment, Net	1,002.4	927.6
Other Assets	318.6 ²	309.9
Invested Capital	\$ 3,238.9	2,983.5
ROIC	26.1%	26.2%

We include operating lease right-of-use assets related to adoption of ASC 842 as of January 1, 2019. The value prior to adoption is estimated.

¹ Reflects exclusion of Tax Act-related discrete items in 2018 for purposes of comparison.

² Refers to the average unamortized value of acquired non-operating intangible assets.

Reconciliation of ROIC to Return on Assets (ROA)

(Amounts in millions)	TTM 2Q20	TTM 2Q19
Net Earnings	\$ 833.7	765.1
Total Assets	\$ 3,920.8	3,542.0
ROA	21.3%	21.6%
NOPAT	\$ 844.1	780.4
Add: Income Tax Expense	264.0	253.0
Subtract: Tax Act Adj. ¹	—	(1.3)
Operating Income	1,108.1	1,032.1
Add: Interest Income	0.4	0.4
Subtract: Interest Expense	(10.8)	(14.4)
Subtract: Income Tax Expense	(264.0)	(253.0)
Net Earnings	\$ 833.7	765.1
Invested Capital	\$ 3,238.9	2,983.5
Add: Cash and Cash Equivalents	188.3	155.3
Add: Accounts Payable	199.0	188.0
Add: Accrued Expenses	232.1	215.2
Add: Excluded Other Assets	62.5 ²	—
Total Assets	\$ 3,920.8	3,542.0

*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	(1.0%)	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%)	
2020 DSR	(1.3%)	2.5%	(0.3%)	2.2%	3.9%	10.4%	(3.3%)	13.3%									
Delta v. Benchmark	(0.3%)	1.3%	(3.4%)	(2.2%)	3.8%	8.7%	(5.1%)	5.2%									
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%)	
Delta v. Benchmark	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%)	
Delta v. Benchmark	(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%	
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%)	
Delta v. Benchmark	1.2%	0.3%	0.5%	0.8%	2.1%	(0.3%)	1.1%	3.9%	1.1%	(1.1%)	1.5%	5.7%	0.4%	6.0%	(0.2%)	0.3%	
Days Count																	
2020	22	20	22		22	20	22		22	21	21		22		20	21	255
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

* 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. Good Friday remained in April during 2020.
- Amounts may not foot due to rounding differences.



Employee Statistics

HEADCOUNT STATISTICS	Absolute Count						Change Since 2Q19
	2Q20	1Q20	Change Since 1Q20	4Q19	Change Since 4Q19	2Q19	
Branches/Onsites	12,982	14,001	(7.3)%	13,977	(7.1)%	14,372	(9.7)%
Non-Branch Selling	1,904	1,901	0.2 %	1,854	2.7 %	1,811	5.1 %
Selling Personnel	14,886	15,902	(6.4)%	15,831	(6.0)%	16,183	(8.0)%
Distribution	3,682	4,082	(9.8)%	4,012	(8.2)%	3,948	(6.7)%
Manufacturing	664	709	(6.3)%	711	(6.6)%	737	(9.9)%
Administrative	1,435	1,438	(0.2)%	1,394	2.9 %	1,364	5.2 %
Non-Selling Personnel	5,781	6,229	(7.2)%	6,117	(5.5)%	6,049	(4.4)%
Total Personnel	20,667	22,131	(6.6)%	21,948	(5.8)%	22,232	(7.0)%

FTE Count ¹						
2Q20	1Q20	Change Since 1Q20	4Q19	Change Since 4Q19	2Q19	Change Since 2Q19
11,310	12,334	(8.3)%	12,236	(7.6)%	12,903	(12.3)%
1,876	1,866	0.5 %	1,824	2.9 %	1,784	5.2 %
13,186	14,200	(7.1)%	14,060	(6.2)%	14,687	(10.2)%
2,615	2,992	(12.6)%	2,895	(9.7)%	2,954	(11.5)%
625	675	(7.4)%	674	(7.3)%	704	(11.2)%
1,388	1,368	1.5 %	1,339	3.7 %	1,315	5.6 %
4,628	5,035	(8.1)%	4,908	(5.7)%	4,973	(6.9)%
17,814	19,235	(7.4)%	18,968	(6.1)%	19,660	(9.4)%

NOTES:

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



In-Market Location Statistics

BRANCH STATISTICS	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
New Branch Openings											
1Q	29	37	28	11	9	2	17	5	0	3	3
2Q	16	38	25	22	8	6	10	5	5	3	4
3Q	45	19	20	11	5	5	8	5	3	2	
4Q	37	28	7	9	2	28	5	3	3	4	
Cumulative	127	122	80	53	24	41	40	18	11	12	7
Closed/Converted Branches, Net (Annual)	(6)	(27)	(13)	(18)	(74)	(56)	(159)	(138)	(167)	(125)	(61)
Branch Count	2,490	2,585	2,652	2,687	2,637	2,622	2,503	2,383	2,227	2,114	2,060
Active Onsites					214	264	401	605	894	1,114	1,212
TOTAL IN-MARKET LOCATIONS	2,490	2,585	2,652	2,687	2,851	2,886	2,904	2,988	3,121	3,228	3,272

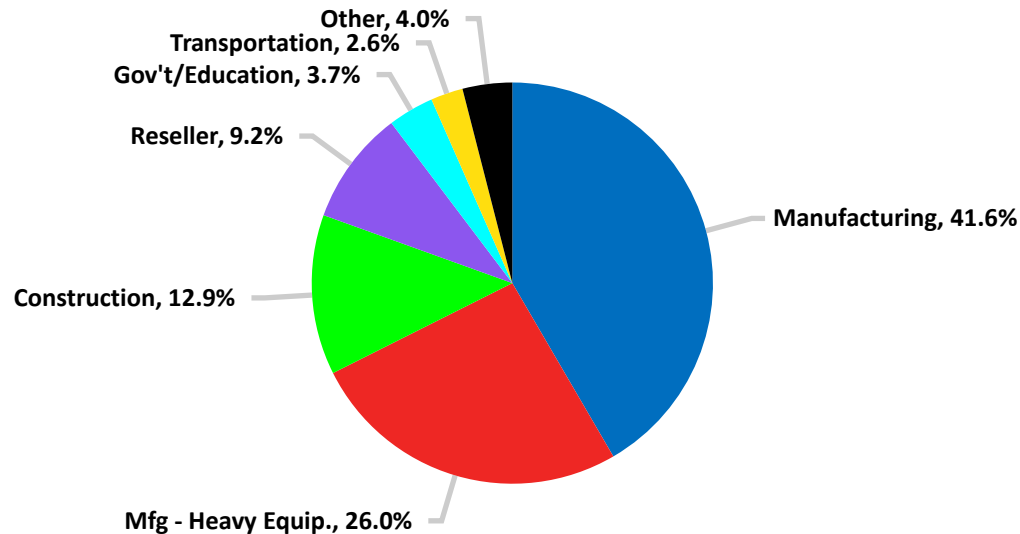
NOTES:

- As of June 30, 2020, includes 1755 branches in the U.S., 182 in Canada, and 123 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



MAJOR SEGMENT GROWTH (Daily Sales rates)

		Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.	Full Year
Manufacturing (incl. Heavy Equip.)	2020	4.3%	6.2%	(1.1%)	(15.6%)	(4.2%)	(8.2%)							(3.2%)
	2019	13.8%	11.6%	14.7%	7.4%	11.5%	8.7%	7.9%	8.8%	6.4%	5.8%	7.5%	1.9%	8.8%
Construction	2020	3.2%	4.9%	(7.8%)	(15.5%)	(9.8%)	(5.5%)							(5.4%)
	2019	16.7%	11.0%	12.1%	8.3%	9.9%	3.6%	1.6%	1.4%	6.4%	4.0%	5.0%	0.2%	6.4%