

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 000-00255

GRAYBAR ELECTRIC COMPANY, INC.

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

13-0794380

(I.R.S. Employer Identification No.)

34 North Meramec Avenue, St. Louis, Missouri

(Address of principal executive offices)

63105

(Zip Code)

(314) 573 - 9200

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class

Trading Symbol(s)

Name of each exchange on which registered

None

N/A

N/A

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for shorter period that the registrant was required to submit and post such files).

YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ☐ NO ☒

Common Stock Outstanding at July 31, 2019: 21,426,148

(Number of Shares)

Graybar Electric Company, Inc. and Subsidiaries
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2019
(Unaudited)

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(Stated in millions, except per share data)</i>	2019	2018	2019	2018
Gross Sales	\$ 1,957.1	\$ 1,840.4	\$ 3,743.2	\$ 3,485.4
Cash discounts	(9.1)	(8.1)	(17.4)	(15.4)
Net Sales	1,948.0	1,832.3	3,725.8	3,470.0
Cost of merchandise sold	(1,580.3)	(1,481.1)	(3,019.4)	(2,807.4)
Gross Margin	367.7	351.2	706.4	662.6
Selling, general and administrative expenses	(284.5)	(270.8)	(558.0)	(534.1)
Depreciation and amortization	(12.6)	(12.3)	(25.1)	(24.4)
Other income, net	0.5	0.6	1.8	1.4
Income from Operations	71.1	68.7	125.1	105.5
Non-operating expenses	(6.3)	(7.5)	(12.9)	(15.0)
Income before Provision for Income Taxes	64.8	61.2	112.2	90.5
Provision for income taxes	(17.8)	(16.6)	(30.8)	(24.7)
Net Income	47.0	44.6	81.4	65.8
Less: Net income attributable to noncontrolling interests	—	(0.1)	(0.1)	(0.2)
Net Income attributable to Graybar Electric Company, Inc.	\$ 47.0	\$ 44.5	\$ 81.3	\$ 65.6
Net Income per share of Common Stock^(A)	\$ 2.18	\$ 2.07	\$ 3.77	\$ 3.05
Cash Dividends per share of Common Stock	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.60
Average Common Shares Outstanding^(A)	21.5	21.5	21.6	21.5

^(A)Adjusted for the declaration of a 10% stock dividend in 2018, shares related to which were issued in February 2019. Prior to the adjustment, the average common shares outstanding were 19.5 million for the three and six months ended June 30, 2018.

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
<i>(Stated in millions)</i>	2019	2018	2019	2018
Net Income	\$ 47.0	\$ 44.6	\$ 81.4	\$ 65.8
Other Comprehensive Income				
Foreign currency translation	2.1	(1.7)	4.2	(4.3)
Pension and postretirement benefits liability adjustment (net of tax of \$(1.2), \$(1.6), \$(2.5), and \$(3.3), respectively)	3.5	4.7	7.2	9.5
Total Other Comprehensive Income	5.6	3.0	11.4	5.2
Comprehensive Income	\$ 52.6	\$ 47.6	\$ 92.8	\$ 71.0
Less: comprehensive income attributable to noncontrolling interests, net of tax	0.1	—	0.3	—
Comprehensive Income attributable to Graybar Electric Company, Inc.	\$ 52.5	\$ 47.6	\$ 92.5	\$ 71.0

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2019	December 31, 2018
<i>(Stated in millions, except share and per share data)</i>		
ASSETS	(Unaudited)	
Current Assets		
Cash and cash equivalents	\$ 55.2	\$ 58.9
Trade receivables (less allowances of \$7.3 and \$5.9, respectively)	1,183.1	1,187.0
Merchandise inventory	689.5	658.7
Other current assets	52.8	54.1
Total Current Assets	1,980.6	1,958.7
Property, at cost		
Land	79.6	79.4
Buildings	491.5	489.2
Furniture and fixtures	238.0	233.0
Software	168.3	166.4
Finance leases	21.6	21.3
Total Property, at cost	999.0	989.3
Less – accumulated depreciation and amortization	(583.4)	(565.4)
Net Property	415.6	423.9
Operating Lease Right-of-use Assets	106.8	—
Other Non-current Assets	106.6	108.6
Total Assets	\$ 2,609.6	\$ 2,491.2
LIABILITIES		
Current Liabilities		
Short-term borrowings	\$ 186.5	\$ 235.0
Current portion of long-term debt	3.9	3.4
Trade accounts payable	953.1	895.2
Accrued payroll and benefit costs	80.4	158.2
Other accrued taxes	21.7	23.9
Current operating lease liabilities	26.9	—
Other current liabilities	93.7	101.0
Total Current Liabilities	1,366.2	1,416.7
Postretirement Benefits Liability	67.0	66.7
Pension Liability	127.7	118.6
Long-term Debt	8.5	10.0
Non-current Operating Lease Liabilities	84.5	—
Other Non-current Liabilities	3.5	8.7
Total Liabilities	1,657.4	1,620.7
SHAREHOLDERS' EQUITY		
	Shares at	
Capital Stock	June 30, 2019	December 31, 2018
Common, stated value \$20.00 per share		
Authorized	50,000,000	50,000,000
Issued to voting trustees	18,271,662	17,754,923
Issued to shareholders	3,852,157	3,744,318
In treasury, at cost	(599,715)	(58,172)
Outstanding Common Stock	21,524,104	21,441,069
Advance Payments on Subscriptions to Common Stock	0.5	—
Retained Earnings	746.4	678.1
Accumulated Other Comprehensive Loss	(229.1)	(240.3)
Total Graybar Electric Company, Inc. Shareholders' Equity	948.3	866.6
Noncontrolling Interests	3.9	3.9
Total Shareholders' Equity	952.2	870.5
Total Liabilities and Shareholders' Equity	\$ 2,609.6	\$ 2,491.2

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	(Unaudited)	
	Six Months Ended June 30,	
	2019	2018
<i>(Stated in millions)</i>		
Cash Flows from Operating Activities		
Net Income	\$ 81.4	\$ 65.8
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	25.1	24.4
Non-cash operating lease expense	14.5	—
Deferred income taxes	(3.6)	(1.8)
Net gains on disposal of property	—	(0.1)
Net income attributable to noncontrolling interests	(0.1)	(0.2)
Changes in assets and liabilities:		
Trade receivables	4.2	(87.9)
Merchandise inventory	(30.8)	(43.4)
Other current assets	1.3	8.0
Other non-current assets	(0.3)	(9.0)
Trade accounts payable	57.9	58.3
Accrued payroll and benefit costs	(77.8)	(43.5)
Other current liabilities	(5.3)	(12.1)
Other non-current liabilities	3.2	16.0
Total adjustments to net income	(11.7)	(91.3)
Net cash provided (used) by operating activities	69.7	(25.5)
Cash Flows from Investing Activities		
Proceeds from disposal of property	0.2	0.3
Capital expenditures for property	(11.4)	(19.3)
Net cash used by investing activities	(11.2)	(19.0)
Cash Flows from Financing Activities		
Net (decrease) increase in short-term borrowings	(48.5)	60.4
Principal payments under finance leases	(2.6)	(3.0)
Sale of common stock	13.0	12.5
Purchases of common stock	(10.8)	(9.2)
Purchases of noncontrolling interests' common stock	(0.3)	(0.2)
Dividends paid	(13.0)	(11.7)
Net cash (used) provided by financing activities	(62.2)	48.8
Net (Decrease) Increase in Cash	(3.7)	4.3
Cash, Beginning of Year	58.9	42.8
Cash, End of Period	\$ 55.2	\$ 47.1
Non-cash Investing and Financing Activities		
Acquisitions of equipment under finance leases	\$ 1.5	\$ 1.1
Acquisitions of assets under operating leases	\$ 29.2	\$ —
Acquisition of software and maintenance under financing arrangement	\$ —	\$ 5.0

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited, stated in millions)

Graybar Electric Company, Inc. Shareholders' Equity						
	Common Stock	Common Stock Subscribed, Unissued	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
December 31, 2017	\$ 387.7	\$ —	\$ 619.9	\$ (250.1)	\$ 4.1	\$ 761.6
Net income			65.6		0.2	65.8
Other comprehensive income (loss)				5.4	(0.2)	5.2
Adoption of ASC 606, net of tax			0.8			0.8
Stock issued	12.0					12.0
Stock purchased	(9.2)				(0.2)	(9.4)
Advance payments		0.5				0.5
Dividends declared			(11.7)			(11.7)
June 30, 2018	\$ 390.5	\$ 0.5	\$ 674.6	\$ (244.7)	\$ 3.9	\$ 824.8

Graybar Electric Company, Inc. Shareholders' Equity						
	Common Stock	Common Stock Subscribed, Unissued	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Shareholders' Equity
December 31, 2018	\$ 428.8	\$ —	\$ 678.1	\$ (240.3)	\$ 3.9	\$ 870.5
Net income			81.3		0.1	81.4
Other comprehensive income				11.2	0.2	11.4
Stock issued	12.5					12.5
Stock purchased	(10.8)				(0.3)	(11.1)
Advance payments		0.5				0.5
Dividends declared			(13.0)			(13.0)
June 30, 2019	\$ 430.5	\$ 0.5	\$ 746.4	\$ (229.1)	\$ 3.9	\$ 952.2

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of the Condensed Consolidated Financial Statements.

Graybar Electric Company, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Stated in millions, except share and per share data)
(Unaudited)

1. DESCRIPTION OF THE BUSINESS

Graybar Electric Company, Inc. ("Graybar", "Company", "we", "our", or "us") is a New York corporation, incorporated in 1925. We are engaged in the distribution of electrical and communications and data networking products and are a provider of related supply chain management and logistics services. We primarily serve customers in the construction, industrial & utility, and commercial, institutional and government ("CIG") vertical markets, with products and services that support new construction, infrastructure updates, building renovation, facility maintenance, repair and operations ("MRO"), and original equipment manufacturers ("OEM"). We purchase all of the products we sell from others, and we neither manufacture nor contract to manufacture any products we sell. Our business activity is primarily based in the United States ("U.S."). We also have subsidiary operations with distribution facilities in Canada and Puerto Rico.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Our accounting policies conform to generally accepted accounting principles in the U.S. ("GAAP") and are applied on a consistent basis among all years presented. Significant accounting policies are described below.

Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by Graybar pursuant to the rules and regulations of the United States Securities and Exchange Commission (the "Commission") applicable to interim financial reporting. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although we believe that our disclosures are adequate to make the information presented not misleading. The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect reported amounts. Our condensed consolidated financial statements include amounts that are based on management's best estimates and judgments. Actual results could differ from those estimates. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2018, included in our latest Annual Report on Form 10-K.

In the opinion of management, this quarterly report includes all adjustments, consisting of normal recurring accruals and adjustments, necessary for the fair presentation of the condensed consolidated financial statements presented. Results for interim periods are not necessarily indicative of results to be expected for the full year.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of Graybar and its subsidiary companies. All material intercompany balances and transactions have been eliminated. The ownership interests that are held by owners other than the Company in subsidiaries consolidated by the Company are accounted for and reported as noncontrolling interests.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made to prior years' financial information to conform to the December 31, 2018 presentation.

Revenue Recognition

Sales revenue is recognized when performance obligations are satisfied, which is typically upon delivery of the product to the customer. Sometimes product is purchased from the manufacturer and drop-shipped to the customer. We generally take control of the goods when shipped by the manufacturer and then recognize revenue when control of the product transfers to the customer. Revenues recognized are primarily for product sales, but may also include freight and handling charges. Our standard warehouse shipping terms are FOB shipping point, under which control passes to the customer at the time of shipment. We also earn revenue for professional services, general contracting services, and storage services. Service revenue represented less than 1% of gross sales for the three months ended June 30, 2019. Revenue is reported net of all taxes assessed by governmental authorities as a result of revenue-producing transactions, primarily sales tax.

Outgoing Freight Expenses

We record certain outgoing freight expenses as a component of selling, general and administrative expenses.

Cash and Cash Equivalents

We account for cash on hand, deposits in banks, and other short-term, highly liquid investments with an original maturity of three months or less as cash and cash equivalents.

Allowance for Doubtful Accounts

We perform ongoing credit evaluations of our customers, and a significant portion of our trade receivables is secured by mechanic's lien or payment bond rights. We maintain allowances to reflect the expected uncollectability of trade receivables based on past collection history and specific risks identified in the receivables portfolio. Although actual credit losses have historically been within management's expectations, additional allowances may be required if the financial condition of our customers were to deteriorate.

Merchandise Inventory

Our inventory is stated at the lower of cost (generally determined using the last-in, first-out ("LIFO") cost method) or market. LIFO accounting is a method of accounting that, compared with other inventory accounting methods, generally provides better matching of current costs with current sales.

We make provisions for obsolete or excess inventories as necessary to reflect reductions in inventory value.

Vendor Allowances

Our agreements with many of our suppliers provide for us to earn volume incentives based on purchases during the agreement period. Based on the provisions of our vendor agreements, we develop vendor accrual rates by estimating the point at which we will have completed our performance under the agreement and the deferred amounts will be earned. We perform analyses and review historical trends to ensure the deferred amounts earned are appropriately recorded. Certain vendor agreements contain purchase volume incentives that provide for increased funding when graduated purchase volumes are met. Amounts accrued throughout the year are based on estimates of future activity levels, and could be materially impacted if actual purchase volumes differ. Changes in the estimated amount of incentives are treated as changes in estimate and are recognized in earnings in the period in which the change in estimate occurs. In the event that the operating performance of our suppliers were to decline, however, there can be no assurance that amounts earned would be paid or that the volume incentives would continue to be included in future agreements.

Property and Depreciation

Property, plant and equipment are recorded at cost. Depreciation is expensed on a straight-line basis over the estimated useful lives of the related assets. Interest costs incurred to finance expenditures for major long-term construction projects are capitalized as part of the asset's historical cost and included in property, plant and equipment, then depreciated over the useful life of the asset. Leasehold improvements are amortized over the term of the lease or the estimated useful life of the improvement, whichever is shorter. Expenditures for maintenance and repairs are charged to expense when incurred, while the costs of significant improvements, which extend the useful life of the underlying asset, are capitalized.

Credit Risk

Financial instruments that potentially expose us to concentrations of credit risk consist primarily of trade receivables. We perform ongoing credit evaluations of our customers, and a significant portion of our trade receivables are secured by mechanic's lien or payment bond rights. We maintain allowances for potential credit losses, and such losses historically have been within management's expectations.

Fair Value

We endeavor to utilize the best available information in measuring fair value. GAAP has established a fair value hierarchy, which prioritizes the inputs used in measuring fair value. The tiers in the hierarchy include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own data inputs and assumptions. We have used fair value measurements to value our pension plan assets.

Foreign Currency Exchange Rate

The functional currency for our Canadian subsidiary is the Canadian dollar. Accordingly, its balance sheet amounts are translated at the exchange rates in effect at the end of each reporting period and its statements of income amounts are translated at the average rates of exchange prevailing during the current period. Currency translation adjustments are included in accumulated other comprehensive loss.

Goodwill

Our goodwill is not amortized, but rather tested annually for impairment. Goodwill is reviewed annually in the fourth quarter and when circumstances or other events might indicate that impairment may have occurred. We first perform a qualitative assessment of goodwill impairment. The qualitative assessment considers several factors including the excess fair value over carrying value as of the last quantitative impairment test, the length of time since the last fair value measurement, the current carrying value, market conditions, actual performance compared to forecasted performance, and the current business outlook. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, the reporting unit is then quantitatively tested for impairment. If a quantitative assessment is required, the fair value is determined using a variety of assumptions including estimated future cash flows of the reporting unit and applicable discount rates.

Definite Lived Intangible Assets

The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, either on a straight-line or accelerated basis over the estimated periods benefited. Customer relationships, trade names and other non-contractual intangible assets with determinable lives are amortized over periods generally ranging from 3 to 20 years. Intangible assets are tested for impairment if events or circumstances occur indicating that the respective asset might be impaired.

Income Taxes

Our income tax provision is recorded in accordance with a full-year forecasted rate methodology, including discrete items in the periods in which they occur. We recognize deferred tax assets and liabilities to reflect the future tax consequences of events that have been recognized in the financial statements or tax returns. A deferred tax asset or liability results from the temporary difference between an item's carrying value as reflected in the financial statements and its tax basis, and is calculated using enacted applicable tax rates. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, a valuation allowance is established. Changes in the valuation allowance, when recorded, are included in the provision for income taxes in the condensed consolidated financial statements. We classify interest expense and penalties as part of our provision for income taxes based upon applicable federal and state interest/underpayment percentages. We assess uncertainty regarding tax positions taken in previously filed returns and record reserves in accordance with the guidance under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10, "Accounting for Uncertainty in Income Taxes".

Other Postretirement Benefits

We account for postretirement benefits other than pensions by accruing the costs of benefits to be provided over the eligible employees' periods of active service. These costs are determined on an actuarial basis. Our condensed consolidated balance sheets reflect the funded status of postretirement benefits.

Pension Plan

We sponsor a noncontributory defined benefit pension plan accounted for by accruing the cost to provide the benefits over the eligible employees' periods of active service. These costs are determined on an actuarial basis. Our condensed consolidated balance sheets reflect the funded status of the defined benefit pension plan.

Non-Operating Expenses

Non-operating expenses are comprised of interest expense, net and non-service cost components of the net periodic benefit cost for the pension and other postretirement benefit plans. The non-service cost components include interest cost, expected return on plan assets, amortization of net actuarial gains/losses, and amortization of prior service costs/gains.

Leases

We determine if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities, and non-current operating lease liabilities on our condensed consolidated balance sheets. Amounts related to finance leases are included in property and equipment, current portion of long-term debt, and long-term debt on our condensed consolidated balance sheets. ROU assets and lease liabilities are recognized and measured on the date the underlying asset is made available to us.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. We use our incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

For certain leases, such as real estate and information technology (IT) equipment, we account for the lease and non-lease components as a single lease component. All other leases that contain lease and non-lease components are accounted for separately. We have elected as an accounting policy not to apply the recognition requirements for short-term leases. Therefore, leases with a term of twelve months or less are not recorded on the condensed consolidated balance sheets. Lease expenses associated with short-term leases are immaterial and are recorded in the condensed consolidated statements of income in selling, general and administrative expenses. Additionally, for certain vehicle leases, we apply a portfolio approach to account for the operating lease ROU assets and liabilities.

New Accounting Standards

No new accounting standards that were issued or became effective during 2019 have had or are expected to have a material impact on our condensed consolidated financial statements, except those noted below:

In February 2016, the FASB issued Accounting Standard Update ("ASU" or "Update") 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). The core principle of this new guidance requires a lessee to recognize an ROU asset and lease liability on the balance sheet for both operating and finance leases while disclosing key information about the leasing arrangements. The amendments in ASU 2016-02 were effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We adopted the new guidance on January 1, 2019, using a modified retrospective approach. Therefore, comparative periods are presented in accordance with the previous lease guidance and do not include retrospective adjustments to reflect the adoption of the new lease guidance.

We elected the package of transitional practical expedients which allows an entity not to reassess whether expired or existing contracts contain leases, lease classification of expired or existing leases, and whether previously capitalized initial direct costs would qualify for capitalization under Topic 842. As the guidance allows, this package can be elected separate of

any other practical expedient. As a practical expedient, we have elected as an accounting policy not to separate non-lease components from lease components for real estate properties and information technology agreements.

In preparation for adoption of the standard, we have implemented internal controls and key system functionality to enable the preparation of financial information. The standard had a material impact on our condensed consolidated balance sheets, but did not have a material impact on our condensed consolidated statements of income. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while our accounting for capital leases remains unchanged.

Adoption of ASU 2016-02 resulted in the recognition of additional ROU assets and lease liabilities for operating leases of \$98.1 million at January 1, 2019.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which introduces new guidance for the accounting for credit losses on certain financial instruments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. We have determined that our trade receivables are financial instruments subject to this Update. We are currently evaluating the accounting policies over our allowance for doubtful accounts and are developing new methods to encompass three components into our allowance to comply with requirements of the ASU: 1) a reserve derived from historical loss rates based upon the aging of our trade receivables, 2) a reserve based upon specifically-identified trade receivables in our portfolio that are considered higher risk based on current conditions, and 3) an additional reserve, as necessary, to consider the impact of future economic outlook, though less critical due to the short-term nature of our trade receivables. We currently believe that the adoption of this Update will not have a material impact on our consolidated financial statements and plan to adopt this Update by January 1, 2020.

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU 2018-13") that makes minor changes to the disclosure requirements on fair value measurements in Topic 820. The guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and adds new disclosure requirements that the FASB considers pertinent. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. We are currently evaluating the impact of the adoption of the Update on our consolidated financial statements, but do not expect it to have a material impact. We plan to adopt the Update in our fiscal year beginning on January 1, 2020.

In August 2018, the FASB issued ASU 2018-14, "Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans" ("ASU 2018-14") that makes minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefit plans. The guidance eliminates requirements for certain disclosures that are no longer considered cost beneficial and adds new disclosure requirements that the FASB considers pertinent. ASU 2018-14 is effective for fiscal years ending after December 15, 2020 for public entities. Early adoption is permitted. We are currently evaluating the impact of the adoption of the Update on our consolidated financial statements, but do not expect it to have a material impact. We plan to adopt the Update by our fiscal year beginning on January 1, 2021.

In August 2018, the FASB issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract" ("ASU 2018-15") requiring a customer in a cloud computing arrangement that is a service contract to follow the internal use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. ASU 2018-15 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years for public entities. Early adoption is permitted. We currently believe that the adoption of this Update will not have a material impact on our consolidated financial statements and we plan to adopt the Update in our fiscal year beginning on January 1, 2020.

3. REVENUE

The following table summarizes the percentages of our net sales attributable to each of our vertical markets for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Construction	60.2%	59.2%	60.0%	58.9%
Industrial & Utility	19.3	19.0	19.3	19.1
CIG	20.5	21.8	20.7	22.0
Total net sales	100.0%	100.0%	100.0%	100.0%

We had no material contract assets, contract liabilities, or deferred contract costs recorded on the condensed consolidated balance sheet as of June 30, 2019 and December 31, 2018. In addition, for the three and six months ended June 30, 2019 and 2018, revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period is not material.

Revenue expected to be recognized in any future year related to remaining performance obligations is not material. As permitted in ASC Topic 606, we have elected to omit disclosure related to performance obligations for revenue pertaining to contracts that have an original expected duration of one year or less, to contracts where revenue is recognized as invoiced and to contracts with variable consideration related to wholly unsatisfied performance obligations.

4. INCOME TAXES

Our total provision for income taxes is \$17.8 million and \$30.8 million for the three- and six- months periods ended June 30, 2019, respectively. We record our income tax provision using a full-year forecasted methodology, including discrete items in the period in which they occur. Our year-to-date effective tax rate for the six months ended June 30, 2019 is 27.5%. We do not expect material fluctuations in this rate throughout the remainder of the year.

Our unrecognized tax benefits of \$2.9 million and \$2.6 million at June 30, 2019 and December 31, 2018, respectively, are uncertain tax positions that would impact our effective tax rate if recognized. We are periodically engaged in tax return examinations, the review of statute of limitation periods, and settlements surrounding income taxes. We do not anticipate a material change in unrecognized tax benefits during the next twelve months.

We classify interest expense and penalties as part of our provision for income taxes based upon applicable federal and state interest and underpayment percentages. We have accrued \$0.6 million and \$0.4 million in interest and penalties at June 30, 2019 and December 31, 2018, respectively. Interest was computed on the difference between the provision for income taxes recognized in accordance with GAAP and the amount of benefit previously taken or expected to be taken in our federal, state, and local income tax returns.

Our federal income tax returns for the tax years 2015 and forward are available for examination by the United States Internal Revenue Service ("IRS"). The statute of limitations for the 2015 federal return will expire on September 15, 2019, unless extended by consent. Our state income tax returns for 2014 through 2018 remain subject to examination by various state authorities with the latest period closing on December 31, 2023. We have not extended the statutes of limitations in any state jurisdictions with respect to years prior to 2014.

5. DEBT

Revolving Credit Facility

At June 30, 2019 and December 31, 2018, we, along with Graybar Canada Limited, our Canadian operating subsidiary ("Graybar Canada"), had an unsecured, five-year, \$750.0 million revolving credit agreement maturing in August 2023 with Bank of America, N.A. and the other lenders named therein (the "Credit Agreement"), which includes a combined letter of credit sub-facility of up to \$25.0 million, a U.S. swing-line loan facility of up to \$75.0 million, and a Canadian swing-line loan facility of up to \$20.0 million. The Credit Agreement includes a \$100.0 million sublimit (in U.S. or Canadian dollars) for borrowings by Graybar Canada. The Credit Agreement contains an accordion feature, which allows us to request increases in the aggregate borrowing commitments of up to \$375.0 million.

We were in compliance with all covenants under the Credit Agreement as of June 30, 2019 and December 31, 2018.

There were \$186.5 million and \$235.0 million in short-term borrowings outstanding under the Credit Agreement at June 30, 2019 and December 31, 2018, respectively.

Short-term borrowings outstanding during the six months ended June 30, 2019 and 2018 ranged from a minimum of \$120.0 million and \$140.0 million to a maximum of \$257.0 million and \$242.0 million, respectively.

At June 30, 2019, we had unused lines of credit under the Credit Agreement amounting to \$563.0 million available, compared to \$515.0 million at December 31, 2018. These lines are available to meet our short-term cash requirements and are subject to annual fees of up to 40 basis points (0.40%).

Interest expense, net was \$1.9 million and \$1.7 million for the three months ended June 30, 2019 and 2018, respectively. Interest expense, net was \$3.7 million and \$3.1 million for the six months ended June 30, 2019 and 2018, respectively.

Private Placement Shelf Agreements

We have an uncommitted \$100.0 million private placement shelf agreement with PGIM, Inc. (the "Prudential Shelf Agreement"), which is expected to allow us to issue senior promissory notes to affiliates of PGIM, Inc. at fixed rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in August 2020. We also have an uncommitted \$100.0 million private placement shelf agreement (the "MetLife Shelf Agreement") with Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC and each other affiliate of MetLife that becomes a party to the agreement (collectively, "MetLife"). The MetLife Shelf Agreement is expected to allow us to issue senior promissory notes to MetLife at fixed or floating rate economic terms to be agreed upon at the time of issuance during a three-year period ending in August 2021.

We remain obligated under a most favored lender clause which is designed to ensure that any notes in the future under the Prudential Shelf Agreement and MetLife Shelf Agreement will continue to be of equal ranking with indebtedness under our Credit Agreement.

No notes have been issued under either the Prudential Shelf Agreement or the MetLife Shelf Agreement as of June 30, 2019 and December 31, 2018.

Each shelf agreement contains representations and warranties of the Company and the applicable lender, customary events of default and affirmative and negative covenants, customary for agreements of this type. These covenants are substantially similar to those contained in the Credit Agreement, subject to a number of important exceptions and qualifications set forth in the applicable shelf agreement. All outstanding obligations of Graybar under one or both of these agreements may be declared immediately due and payable upon the occurrence of an event of default.

We were in compliance with all covenants under the Prudential Shelf Agreement and the MetLife Shelf Agreement as of June 30, 2019 and December 31, 2018.

Letters of Credit

We had total letters of credit of \$5.6 million outstanding at June 30, 2019, of which \$0.5 million were issued under the Credit Agreement. We had total letters of credit of \$5.6 million outstanding at December 31, 2018, of which none were issued under the Credit Agreement. The letters of credit are issued primarily to support certain workers' compensation insurance policies.

6. LEASES

We have operating and finance leases for corporate offices, warehouse buildings, sales offices, branch locations, vehicles, and certain equipment. Our leases have remaining lease terms of up to ten years, some of which may include options to extend the leases for up to five years, and some of which may include options to terminate the leases within one year. In addition to fixed lease payments, we incur variable lease charges that are recognized as incurred. These charges are primarily for maintenance and real estate taxes on leased facilities. As of June 30, 2019 and December 31, 2018, assets recorded under finance leases net of accumulated depreciation were \$9.1 million and \$8.7 million, respectively.

The components of the lease expense for the three and six months ended June 30, 2019 were as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	\$ 8.1	\$ 16.2
Finance lease cost:		
Amortization of right-of-use assets	0.6	1.1
Interest on lease liabilities	0.2	0.4
Total finance lease cost	0.8	1.5
Variable lease cost	2.6	4.9
Total lease cost	\$ 11.5	\$ 22.6

Supplemental balance sheet information at June 30, 2019 related to leases was as follows:

	June 30, 2019
Operating leases:	
Operating lease right-of-use assets	\$ 106.8
Current operating lease liabilities	\$ 26.9
Non-current operating lease liabilities	84.5
Total operating lease liabilities	\$ 111.4
Finance leases:	
Property, at cost	\$ 21.6
Less – accumulated depreciation and amortization	12.5
Net property	\$ 9.1
Current obligations of finance leases	\$ 2.2
Finance leases, net of current obligations	8.5
Total finance lease liabilities	\$ 10.7
Weighted average remaining lease term:	
Operating leases	5.0 years
Finance leases	5.4 years
Weighted average discount rate:	
Operating leases	3.5%
Finance leases	7.0%

Supplemental cash flow and other information for the three and six months ended June 30, 2019 related to leases was as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 8.1	\$ 16.1
Operating cash flows from finance leases	0.2	0.4
Financing cash flows from finance leases	0.5	2.6
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	\$ 19.4	\$ 29.2
Finance leases	0.3	1.5

Future minimum lease payments under non-cancellable leases as of June 30, 2019 were as follows:

	June 30, 2019	
	Operating Leases	Finance Leases
Future minimum lease payments		
2019 (excluding the six months ended June 30, 2019)	\$ 14.8	\$ 1.4
2020	29.1	2.7
2021	23.2	2.6
2022	18.6	2.0
2023	13.9	1.4
Thereafter	22.2	3.0
Total future minimum lease payments	\$ 121.8	\$ 13.1
Less: imputed interest	(10.4)	(2.4)
Total lease obligation	\$ 111.4	\$ 10.7
Less: current obligations	(26.9)	(2.2)
Long-term lease obligation	\$ 84.5	\$ 8.5

Disclosures related to periods prior to adoption of Leases (Topic 842)

Rental expense was \$29.4 million, \$27.3 million, and \$25.1 million for the twelve months ended December 31, 2018, 2017, and 2016, respectively. Future minimum rental payments required under operating leases that have either initial or remaining noncancelable lease terms in excess of one year as of December 31, 2018 were as follows:

For the Years Ending December 31,	Minimum Rental Payments
2019	\$ 30.0
2020	21.9
2021	16.4
2022	12.3
2023	8.8
After 2023	17.3

7. PENSION AND OTHER POSTRETIREMENT BENEFITS

We have a noncontributory defined benefit pension plan (the "Pension Plan") covering substantially all employees first hired prior to July 1, 2015 after the completion of one year of service and 1,000 hours of service. The Pension Plan provides retirement benefits based on an employee's average earnings and years of service. These employees become 100% vested after three years of service, regardless of age. A supplemental benefit plan provides nonqualified pension benefits for compensation in excess of the IRS compensation limits applicable to the Pension Plan and eligible compensation deferred by a participant.

Our funding policy is to make contributions to the Pension Plan, provided that the total annual contributions will not be less than ERISA and the Pension Protection Act of 2006 minimums or greater than the maximum tax-deductible amount, to review the contribution and funding strategy on a regular basis, and to allow discretionary contributions to be made by us from time to time. The assets of the Pension Plan are invested primarily in fixed income investments and equity securities. We pay nonqualified pension benefits when they are due according to the terms of the supplemental benefit plan.

We provide certain postretirement healthcare and life insurance benefits to retired employees. Substantially all of our employees hired or rehired prior to 2014 may become eligible for postretirement medical benefits if they reach the age and service requirements of the retiree medical plan and retire on a pension (except a deferred pension) under the Pension Plan. Medical benefits are self-insured and claims are administered through a third party administrator. The cost of coverage is determined based on the annual projected plan costs. The participant's premium or cost is determined based on Company guidelines. Postretirement life insurance benefits are insured through an insurance company. We fund postretirement benefits as incurred, and accordingly, there were no assets held in the postretirement benefits plan at June 30, 2019 and December 31, 2018.

The net periodic benefit cost for the three and six months ended June 30, 2019 and 2018 includes the following components:

Components of Net Periodic Benefit Cost	Pension Benefits		Postretirement Benefits	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2019	2018	2019	2018
Selling, general, and administrative expenses:				
Service cost	\$ 6.3	\$ 7.2	\$ 0.5	\$ 0.6
Total selling, general, and administrative expenses	\$ 6.3	\$ 7.2	\$ 0.5	\$ 0.6
Non-operating expenses:				
Interest cost	7.4	6.7	0.7	0.7
Expected return on plan assets	(8.4)	(7.9)	—	—
Amortization of:				
Net actuarial loss	4.6	6.5	0.1	0.2
Prior service cost (gain)	—	0.1	—	(0.5)
Total non-operating expenses	\$ 3.6	\$ 5.4	\$ 0.8	\$ 0.4
Net periodic benefit cost	\$ 9.9	\$ 12.6	\$ 1.3	\$ 1.0

Components of Net Periodic Benefit Cost	Pension Benefits		Postretirement Benefits	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Selling, general, and administrative expenses:				
Service cost	\$ 12.8	\$ 14.3	\$ 1.0	\$ 1.2
Total selling, general, and administrative expenses	\$ 12.8	\$ 14.3	\$ 1.0	\$ 1.2
Non-operating expenses:				
Interest cost	15.0	13.7	1.5	1.4
Expected return on plan assets	(17.0)	(16.0)	—	—
Amortization of:				
Net actuarial loss	9.5	13.2	0.2	0.4
Prior service cost (gain)	—	0.2	—	(1.0)
Total non-operating expenses	\$ 7.5	\$ 11.1	\$ 1.7	\$ 0.8
Net periodic benefit cost	\$ 20.3	\$ 25.4	\$ 2.7	\$ 2.0

We made no qualified and nonqualified pension contributions during the three-month period ended June 30, 2019 and \$10.0 million during the three-month period ended June 30, 2018. Contributions made during the six-month periods ended June 30, 2019 and 2018 totaled \$1.7 million and \$21.6 million, respectively. Additional contributions of \$10.0 million are expected to be paid during the remainder of 2019, but may change at our discretion.

8. CAPITAL STOCK

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. A new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027. At June 30, 2019, approximately 83% of the total shares of common stock was held in the voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record. Shareholders may elect to participate in the voting trust at any time during the term of the voting trust.

No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. We also have the option to purchase at the issue price the common shares of any shareholder who ceases to be an employee for any reason other than death or "retirement" (as defined in our amended restated certificate of incorporation), and on the first anniversary of any holder's death. In the past, we have always exercised these

purchase options, and we expect to continue to do so in the foreseeable future. However, we can make no assurance that we will continue to exercise our purchase option in the future. All outstanding shares have been issued at \$20.00 per share.

Cash dividends paid were \$6.5 million and \$5.8 million for the three months ended June 30, 2019 and 2018, respectively. Cash dividends paid were \$13.0 million and \$11.7 million for the six months ended June 30, 2019 and 2018, respectively.

We also have authorized 10,000,000 shares of Delegated Authority Preferred Stock (“preferred stock”), par value one cent (\$0.01). The preferred stock may be issued in one or more series, with the designations, relative rights, preferences, and limitations of shares of each such series being fixed by a resolution of our Board of Directors. There were no shares of preferred stock outstanding at June 30, 2019 and December 31, 2018.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table represents amounts reclassified from accumulated other comprehensive loss for the three months ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Amortization of Pension and Other Postretirement Benefits Items			Amortization of Pension and Other Postretirement Benefits Items		
	Actuarial Losses Recognized	Prior Service Costs Recognized	Total	Actuarial Losses Recognized	Prior Service Costs Recognized	Total
Affected Line in Condensed Consolidated Statement of Income:						
Non-operating expenses	\$ 4.7	\$ —	\$ 4.7	\$ 6.7	\$ (0.4)	\$ 6.3
Tax (benefit) expense	(1.2)	—	(1.2)	(1.7)	0.1	(1.6)
Total reclassifications for the period, net of tax	\$ 3.5	\$ —	\$ 3.5	\$ 5.0	\$ (0.3)	\$ 4.7

The following table represents amounts reclassified from accumulated other comprehensive loss for the six months ended June 30, 2019 and 2018:

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Amortization of Pension and Other Postretirement Benefits Items			Amortization of Pension and Other Postretirement Benefits Items		
	Actuarial Losses Recognized	Prior Service Costs Recognized	Total	Actuarial Losses Recognized	Prior Service Costs Recognized	Total
Affected Line in Condensed Consolidated Statement of Income:						
Non-operating expenses	\$ 9.7	\$ —	\$ 9.7	\$ 13.6	\$ (0.8)	\$ 12.8
Tax (benefit) expense	(2.5)	—	(2.5)	(3.5)	0.2	(3.3)
Total reclassifications for the period, net of tax	\$ 7.2	\$ —	\$ 7.2	\$ 10.1	\$ (0.6)	\$ 9.5

The following table represents the activity included in accumulated other comprehensive loss for the three months ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019			Three Months Ended June 30, 2018		
	Foreign Currency	Pension and Other Postretirement Benefits	Total	Foreign Currency	Pension and Other Postretirement Benefits	Total
Beginning balance April 1,	\$ (10.4)	\$ (224.2)	\$ (234.6)	\$ (7.1)	\$ (240.7)	\$ (247.8)
Other comprehensive income (loss) before reclassifications	2.0	—	2.0	(1.6)	—	(1.6)
Amounts reclassified from accumulated other comprehensive income (net of tax \$(1.2) and \$(1.6))	—	3.5	3.5	—	4.7	4.7
Net current-period other comprehensive income (loss)	2.0	3.5	5.5	(1.6)	4.7	3.1
Ending balance June 30,	\$ (8.4)	\$ (220.7)	\$ (229.1)	\$ (8.7)	\$ (236.0)	\$ (244.7)

The following table represents the activity included in accumulated other comprehensive loss for the six months ended June 30, 2019 and 2018:

	Six Months Ended June 30, 2019			Six Months Ended June 30, 2018		
	Foreign Currency	Pension and Other Postretirement Benefits	Total	Foreign Currency	Pension and Other Postretirement Benefits	Total
Beginning balance January 1,	\$ (12.4)	\$ (227.9)	\$ (240.3)	\$ (4.6)	\$ (245.5)	\$ (250.1)
Other comprehensive income (loss) before reclassifications	4.0	—	4.0	(4.1)	—	(4.1)
Amounts reclassified from accumulated other comprehensive income (net of tax \$(2.5) and \$(3.3))	—	7.2	7.2	—	9.5	9.5
Net current-period other comprehensive income (loss)	4.0	7.2	11.2	(4.1)	9.5	5.4
Ending balance June 30,	\$ (8.4)	\$ (220.7)	\$ (229.1)	\$ (8.7)	\$ (236.0)	\$ (244.7)

10. COMMITMENTS AND CONTINGENCIES

Graybar and our subsidiaries are subject to various claims, disputes, and administrative and legal matters incidental to our past and current business activities. As a result, contingencies arise resulting from an existing condition, situation, or set of circumstances involving an uncertainty as to the realization of a possible loss.

Estimated loss contingencies are accrued only if the loss is probable and the amount of the loss can be reasonably estimated. With respect to a particular loss contingency, it may be probable that a loss has occurred but the estimate of the loss is a wide range. If we deem an amount within the range to be a better estimate than any other amount within the range, that amount will be accrued. However, if no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued. While we believe that none of these claims, disputes, administrative, and legal matters will have a material adverse effect on our financial position, these matters are uncertain and we cannot at this time determine whether the financial impact, if any, of these matters will be material to our results of operations in the period in which such matters are resolved or a better estimate becomes available.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion should be read in conjunction with our accompanying unaudited condensed consolidated financial statements and notes thereto, and our audited consolidated financial statements, notes thereto, and Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the year ended December 31, 2018, included in our Annual Report on Form 10-K for such period as filed with the United States Securities and Exchange Commission (the "Commission"). The results shown herein are not necessarily indicative of the results to be expected in any future periods.

Certain statements, other than purely historical information, including estimates, projections, statements relating to our business plans, objectives, and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words "believes", "projects", "expects", "anticipates", "estimates", "intends", "strategy", "plan", "may", "will", "would", "will be", "will continue", "will likely result", and other similar expressions. We intend such forward-looking statements to be covered by the safe-harbor provisions for forward-looking statements contained in the PSLRA. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse impact on our operations and future prospects on a consolidated basis include, but are not limited to: general economic conditions, particularly in the residential, commercial, and industrial building construction industries; volatility in the prices of industrial commodities; a sustained interruption in the operation of our information systems; cyber-attacks; increased funding requirements and expenses related to our pension plan; disruptions in our sources of supply; the inability, or limitations on our ability to borrow under our existing credit facilities or any replacements thereof; adverse legal proceedings or other claims; compliance with changing governmental regulations; and the inability, or limitations on our ability, to raise debt or equity capital. These risks and uncertainties should also be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless otherwise required by applicable securities law. Further information concerning our business, including additional factors that could materially impact our financial results, is included herein and in our other filings with the Commission. Actual results and the timing of events could differ materially from the forward-looking statements as a result of certain factors, a number of which are outlined in Item 1A., "Risk Factors", of our Annual Report on Form 10-K for the year ended December 31, 2018.

All dollar amounts, except per share data, are stated in millions in the following discussion and accompanying tables.

Background

Graybar Electric Company, Inc. ("Graybar", "Company", "we", "our", or "us") is a New York corporation, incorporated in 1925. We are engaged in the distribution of electrical and communications and data networking products and are a provider of related supply chain management and logistics services. We primarily serve customers in the construction, industrial & utility and commercial, institutional and government ("CIG") vertical markets, with products and services that support new construction, infrastructure updates, building renovation, facility maintenance, repair and operations ("MRO"), and original equipment manufacturers ("OEMs"). We purchase all the products we sell from others, and we neither manufacture nor contract to manufacture any products we sell. Our business activity is primarily based in the United States ("U.S."). We also have subsidiary operations with distribution facilities in Canada and Puerto Rico.

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our common stock. No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer, or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. We also have the option to purchase at the issue price the common shares of any shareholder who ceases to be an employee for any reason other than death or "retirement" (as defined in our amended restated certificate of incorporation), and on the first anniversary of any holder's death. In the past, we have always exercised these purchase options, and we expect to continue to do so in the foreseeable future. However, we can make no assurance that we will continue to exercise our purchase option in the future. All outstanding shares have been issued at \$20.00 per share.

Business Overview

The strong sales performance we experienced in the first quarter of 2019 continued through the second quarter of 2019. Our net sales for the three months ended June 30, 2019 set a new quarterly sales record for the Company.

Net sales for the second quarter of 2019 totaled \$1,948.0 million, an increase of \$115.7 million, or 6.3%, compared to net sales of \$1,832.3 million for the second quarter of 2018. Gross margin increased \$16.5 million, or 4.7%, to \$367.7 million for the three months ended June 30, 2019, from \$351.2 million for the same period last year. Net income attributable to Graybar was \$47.0 million for the three months ended June 30, 2019, and was \$2.5 million, or 5.6%, higher than the same period last year.

Net sales for the six months ended June 30, 2019 were \$3,725.8 million, an increase of \$255.8 million, or 7.4%, from net sales of \$3,470.0 million for the six months ended June 30, 2018. Gross margin for the six months ended June 30, 2019 was \$706.4 million, an increase of \$43.8 million, or 6.6%, compared to gross margin of \$662.6 million for the same six-month period last year. Gross margin rate was 19.0% for the six-month period ended June 30, 2019, compared to 19.1% for the six-month period ended June 30, 2018. Net income attributable to Graybar was \$81.3 million for the six months ended June 30, 2019, an increase of \$15.7 million, or 23.9%, from net income attributable to Graybar of \$65.6 million for the same six-month period last year.

As we look ahead, we will continue to focus on delivering an exceptional customer experience, driving accelerated growth and transforming our business for the future. We will continue to manage our business to achieve profitable organic growth, while we seek out new opportunities that will enhance our long-term performance and strengthen our position as a leader in supply chain innovation.

Consolidated Results of Operations

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

The following table sets forth certain information relating to our operations stated in millions of dollars and as a percentage of net sales for the three months ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018	
	Dollars	Percent	Dollars	Percent
Net Sales	\$ 1,948.0	100.0%	\$ 1,832.3	100.0%
Cost of merchandise sold	(1,580.3)	(81.1)	(1,481.1)	(80.8)
Gross Margin	367.7	18.9	351.2	19.2
Selling, general and administrative expenses	(284.5)	(14.7)	(270.8)	(14.8)
Depreciation and amortization	(12.6)	(0.6)	(12.3)	(0.7)
Other income, net	0.5	—	0.6	—
Income from Operations	71.1	3.6	68.7	3.7
Non-operating expenses	(6.3)	(0.3)	(7.5)	(0.4)
Income before Provision for Income Taxes	64.8	3.3	61.2	3.3
Provision for income taxes	(17.8)	(0.9)	(16.6)	(0.9)
Net Income	47.0	2.4	44.6	2.4
Less: Net income attributable to noncontrolling interests	—	—	(0.1)	—
Net Income attributable to Graybar Electric Company, Inc.	\$ 47.0	2.4%	\$ 44.5	2.4%

Net sales increased to \$1,948.0 million for the quarter ended June 30, 2019, compared to \$1,832.3 million for the quarter ended June 30, 2018, an increase of \$115.7 million, or 6.3%. Net sales in our construction, CIG, and industrial & utility vertical markets increased for the three months ended June 30, 2019, compared to the same three-month period of 2018 by 8.0%, 5.7%, and 1.8%, respectively.

Gross margin increased \$16.5 million, or 4.7%, to \$367.7 million for the three months ended June 30, 2019, from \$351.2 million for the same period in 2018. The increase in gross margin was primarily due to increased net sales in the second quarter of 2019. Our gross margin as a percent of net sales was 18.9% for the three-month period ended June 30, 2019, compared to 19.2% for the three months ended June 30, 2018. The decrease in gross margin rate was primarily due to competitive pricing pressures.

Selling, general and administrative ("SG&A") expenses increased \$13.7 million, or 5.1%, to \$284.5 million in the second quarter of 2019 from \$270.8 million in the second quarter of 2018, due primarily to higher compensation and benefit-related

costs and higher bad debt expenses. SG&A expenses as a percentage of net sales totaled 14.7% for the three months ended June 30, 2019, down from 14.8% for the three months ended June 30, 2018.

Depreciation and amortization for the three months ended June 30, 2019 increased \$0.3 million, or 2.4%, to \$12.6 million from \$12.3 million in the second quarter of 2018. The increase was due to an increase in property, at cost. Total property, at cost, at June 30, 2019 was \$999.0 million, an increase of \$19.4 million, or 2.0%, when compared to total property, at cost, at June 30, 2018 of \$979.6 million. Depreciation and amortization as a percentage of net sales decreased to 0.6% for the three months ended June 30, 2019, compared to 0.7% for the three months ended June 30, 2018.

Non-operating expenses for the three months ended June 30, 2019 declined \$1.2 million, or 16.0%, to \$6.3 million from \$7.5 million for the three months ended June 30, 2018. The decrease was due to decreases in non-service cost components of net periodic benefit costs of \$1.4 million, partially offset by an increase in interest expense, net of \$0.2 million for the three months ended June 30, 2019, compared to the same three-month period in 2018. The increase in interest expense, net was due to higher interest rates for the three months ended June 30, 2019, compared to the same three-month period in 2018.

Income before provision for income taxes totaled \$64.8 million for the three months ended June 30, 2019, an increase of \$3.6 million, or 5.9%, from \$61.2 million for the three months ended June 30, 2018. The increase was primarily due to our growth in gross margin outpacing our growth in SG&A expenses and depreciation and amortization.

Our total provision for income taxes increased \$1.2 million, or 7.2%, to \$17.8 million for the three months ended June 30, 2019, compared to \$16.6 million for the same period of 2018. The increase in our provision for income taxes quarter over quarter is primarily due to increased pretax income. Our effective tax rate was 27.5% for the three months ended June 30, 2019, compared to 27.1% for the same period of 2018. The effective tax rate for the three months ended June 30, 2019 and 2018 was higher than the 21.0% U.S. federal statutory rate primarily due to state, local and foreign income taxes.

Net income attributable to Graybar Electric Company, Inc. for the three months ended June 30, 2019 increased \$2.5 million, or 5.6%, to \$47.0 million from \$44.5 million for the three months ended June 30, 2018.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

The following table sets forth certain information relating to our operations stated in millions of dollars and as a percentage of net sales for the six months ended June 30, 2019 and 2018:

	Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
	Dollars	Percent	Dollars	Percent
Net Sales	\$ 3,725.8	100.0%	\$ 3,470.0	100.0%
Cost of merchandise sold	(3,019.4)	(81.0)	(2,807.4)	(80.9)
Gross Margin	706.4	19.0	662.6	19.1
Selling, general and administrative expenses	(558.0)	(15.0)	(534.1)	(15.4)
Depreciation and amortization	(25.1)	(0.7)	(24.4)	(0.7)
Other income, net	1.8	—	1.4	—
Income from Operations	125.1	3.3	105.5	3.0
Non-operating expenses	(12.9)	(0.3)	(15.0)	(0.4)
Income before Provision for Income Taxes	112.2	3.0	90.5	2.6
Provision for income taxes	(30.8)	(0.8)	(24.7)	(0.7)
Net Income	81.4	2.2	65.8	1.9
Less: Net income attributable to noncontrolling interests	(0.1)	—	(0.2)	—
Net Income attributable to Graybar Electric Company, Inc.	\$ 81.3	2.2%	\$ 65.6	1.9%

Net sales increased to \$3,725.8 million for the six-month period ended June 30, 2019, compared to \$3,470.0 million for the six-month period ended June 30, 2018, an increase of \$255.8 million, or 7.4%. Net sales in our construction, CIG, and industrial & utility vertical markets increased by 9.3%, 6.7%, and 2.4%, respectively, for the six months ended June 30, 2019, compared to the same six-month period of 2018.

Gross margin increased \$43.8 million, or 6.6%, to \$706.4 million from \$662.6 million primarily due to increased net sales for the six months ended June 30, 2019, compared to the same period of 2018. Our gross margin as a percent of net sales totaled 19.0% for the six months ended June 30, 2019, compared to 19.1% for the six months ended June 30, 2018.

SG&A expenses increased \$23.9 million, or 4.5%, to \$558.0 million, for the six-month period ended June 30, 2019, compared to \$534.1 million for the six-month period ended June 30, 2018, due primarily to higher compensation and benefit-related costs and higher bad debt expenses for the six months ended June 30, 2019. SG&A expenses as a percentage of net sales were 15.0% for the six months ended June 30, 2019, down from 15.4% for the six months ended June 30, 2018.

Depreciation and amortization for the six months ended June 30, 2019 increased \$0.7 million, or 2.9%, to \$25.1 million from \$24.4 million for the same six-month period in 2018, due to an increase in property, at cost. Total property, at cost, at June 30, 2019 was \$999.0 million, an increase of \$19.4 million, or 2.0%, when compared to total property, at cost, at June 30, 2018 of \$979.6 million. Depreciation and amortization as a percentage of net sales remained constant at 0.7% for the six months ended June 30, 2019 and 2018.

Non-operating expenses declined \$2.1 million, or 14.0%, to \$12.9 million for the six months ended June 30, 2019, compared to \$15.0 million for the same period of 2018. The decrease was due to a decrease in non-service cost components of net periodic benefit costs of \$2.7 million offset by an increase in interest expense, net of \$0.6 million for the six months ended June 30, 2019, compared to the same six-month period in 2018. The increase in interest expense, net was due to higher interest rates and higher levels of average outstanding short-term borrowings for the six months ended June 30, 2019, compared to the same six-month period in 2018.

Income before provision for income taxes totaled \$112.2 million for the six months ended June 30, 2019, an increase of \$21.7 million, or 24.0%, from \$90.5 million for the six months ended June 30, 2018. The increase was primarily due to our growth in gross margin outpacing our increases in SG&A expenses and depreciation and amortization.

Our total provision for income taxes increased \$6.1 million, or 24.7%, to \$30.8 million for the six months ended June 30, 2019, compared to \$24.7 million for the same period in 2018. The increase in our provision for income taxes year over year resulted from increased pretax income. Our year-to-date effective tax rate was 27.5% for the six months ended June 30, 2019, compared to 27.3% for the same period in 2018. The effective tax rate for the six months ended June 30, 2019 and 2018 was higher than the 21.0% U.S. federal statutory rate primarily due to state, local, and foreign income taxes.

Net income attributable to Graybar Electric Company, Inc. for the six-month period ended June 30, 2019 increased \$15.7 million, or 23.9%, to \$81.3 million from \$65.6 million for the six months ended June 30, 2018.

Financial Condition and Liquidity

We manage our liquidity and capital levels so that we have the capability to invest in the growth of our business, meet debt service obligations, finance anticipated capital expenditures, pay dividends, make benefit payments, finance information technology needs, fund acquisitions and finance other miscellaneous cash outlays. We believe that maintaining a strong company financial condition enables us to competitively access multiple financing channels, maintain an optimal cost of capital and enables us to invest in strategic long-term growth plans.

We have historically funded our working capital requirements using cash flows generated by the collection of trade receivables and trade accounts payable terms with our suppliers, supplemented by short-term bank lines of credit. Capital expenditures have been financed primarily by cash from working capital management and short-term bank lines of credit.

Our cash and cash equivalents at June 30, 2019 were \$55.2 million, compared to \$58.9 million at December 31, 2018, a decrease of \$3.7 million, or 6.3%. Our short-term borrowings decreased by \$48.5 million, or 20.6%, during the six-month period to \$186.5 million at June 30, 2019 from \$235.0 million at December 31, 2018. Current assets exceeded current liabilities by \$614.4 million at June 30, 2019, an increase of \$72.4 million, or 13.4%, from \$542.0 million at December 31, 2018.

Operating Activities

Cash flows provided by operating activities for the six months ended June 30, 2019 was \$69.7 million, compared to cash used by operating activities of \$25.5 million for the six months ended June 30, 2018. Cash provided by operating activities for the six months ended June 30, 2019 was primarily attributable to net income of \$81.4 million, an increase in collections of trade receivables of \$4.2 million from December 31, 2018 to June 30, 2019, and an increase in trade accounts payable of \$57.9

million from December 31, 2018 to June 30, 2019, partially offset by an increase in merchandise inventory levels of \$30.8 million during the six months ended June 30, 2019 to support the increase in net sales, as well as a decrease in accrued payroll and benefit costs of \$77.8 million from December 31, 2018 to June 30, 2019.

The average number of days of sales in trade receivables for the six-month period ended June 30, 2019 improved moderately compared to the same six-month period ended June 30, 2018. The days in inventory increased modestly for the six months ended June 30, 2019, compared to the six months ended June 30, 2018.

Investing Activities

Net cash used by investing activities totaled \$11.2 million for the six months ended June 30, 2019, compared to net cash used by investing activities of \$19.0 million for the same six-month period in 2018, a decrease of \$7.8 million, or 41.1%. The decrease was primarily due to lower capital expenditures in the six months ended June 30, 2019, compared to the six months ended June 30, 2018 and lower proceeds received on the disposal of property during the six months ended June 30, 2019, compared to the same period in 2018.

Financing Activities

Net cash used by financing activities for the six months ended June 30, 2019 totaled \$62.2 million, compared to net cash provided by financing activities of \$48.8 million for the six months ended June 30, 2018, a decrease of \$111.0 million, or 227.5%. The decrease was primarily due to payments made on the short-term borrowings during the six months ended June 30, 2019 compared to an increase in short-term borrowings in the six months ended June 30, 2018.

Liquidity

We had a \$750.0 million revolving credit facility with \$563.0 million in available capacity at June 30, 2019, compared to available capacity of \$515.0 million at December 31, 2018. At June 30, 2019 and December 31, 2018, we also had two uncommitted \$100.0 million private placement shelf agreements ("Shelf Agreements"). One of the Shelf Agreements is expected to allow us to issue senior promissory notes to PGIM, Inc. at fixed rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in August 2020. Our other Shelf Agreement is expected to allow us to issue senior promissory notes to Metropolitan Life Insurance Company and MetLife Investment Advisors, LLC and each other affiliate of MetLife Investment Advisors, LLC that becomes a party to the agreement at fixed or floating rate terms to be agreed upon at the time of any issuance during a three-year issuance period ending in August 2021.

We have not issued any notes under the Shelf Agreements as of June 30, 2019 and December 31, 2018. For further discussion related to our revolving credit facility and our Shelf Agreements, refer to Note 5, "Debt", of the notes to the condensed consolidated financial statements located in Item 1.

We had total letters of credit of \$5.6 million outstanding at June 30, 2019, of which \$0.5 million were issued under the revolving credit facility. We had total letters of credit of \$5.6 million outstanding at December 31, 2018, of which none were issued under the revolving credit facility. The letters of credit are issued primarily to support certain workers' compensation insurance policies.

New Accounting Standards Updates

Our adoption of new accounting standards is discussed in Note 2, "Summary of Significant Accounting Policies", of the notes to the condensed consolidated financial statements located in Item 1., "Financial Statements", of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in the policies, procedures, controls, or risk profile from those provided in Item 7A., "Quantitative and Qualitative Disclosures About Market Risk", of our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures.**(a) Evaluation of disclosure controls and procedures**

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of June 30, 2019, was performed under the supervision and with the participation of management. Based on that evaluation, our management, including the Principal Executive Officer and Principal Financial Officer, concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Our common stock is 100% owned by active and retired employees, and there is no public trading market for our common stock. Since 1928, substantially all of the issued and outstanding shares of common stock have been held of record by voting trustees under successive voting trust agreements. A new Voting Trust Agreement was established effective March 3, 2017, which expires by its terms on March 1, 2027. At June 30, 2019, approximately 83% of the common stock was held in the voting trust. The participation of shareholders in the voting trust is voluntary at the time the voting trust is created, but is irrevocable during its term. Shareholders who elect not to participate in the voting trust hold their common stock as shareholders of record. Shareholders may elect to participate in the voting trust at any time during the term of the voting trust.

No holder of our common stock or voting trust interests representing our common stock ("common stock", "common shares", or "shares") may sell, transfer, or otherwise dispose of any shares without first offering us the option to purchase those shares at the price at which they were issued. We also have the option to purchase at the issue price the common shares of any shareholder who ceases to be an employee for any cause other than death or "retirement" (as defined in our amended restated certificate of incorporation), and on the first anniversary of any holder's death. In the past, we have always exercised these purchase options, and we expect to continue to do so in the foreseeable future. However, we can make no assurance that we will continue to exercise our purchase option in the future. All outstanding shares have been issued at \$20.00 per share.

The following table sets forth information regarding purchases of common stock by the Company, all of which were made pursuant to the foregoing provisions:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs
April 1 - April 30, 2019	127,083	\$20.00	N/A
May 1 - May 31, 2019	96,395	\$20.00	N/A
June 1 - June 30, 2019	41,915	\$20.00	N/A
Total	265,393	\$20.00	N/A

Item 6. Exhibits.

- 3.1 [Restated Certificate of Incorporation, as amended, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated June 8, 2017 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
- 3.2 [By-laws as amended through March 9, 2017, filed as Exhibit 3\(ii\) to the Company's Current Report on Form 8-K dated March 9, 2017 \(Commission File No. 000-00255\) and incorporated herein by reference.](#)
- 4.2 [Voting Trust Agreement, dated as of March 3, 2017, a form of which is attached as Exhibit A to the Prospectus dated January 6, 2017, constituting a part of the Company's Registration Statement on Form S-1/A \(Registration No. 333-214560\), and incorporated herein by reference.](#)
- 9 Voting Trust Agreement dated as of March 3, 2017, included at Exhibit 4.2 above.
- 31.1 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Executive Officer](#)
- 31.2 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Financial Officer](#)
- 32.1 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Principal Executive Officer](#)
- 32.2 [Certification of Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Principal Financial Officer](#)
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRAYBAR ELECTRIC COMPANY, INC.

August 7, 2019

Date

/s/ KATHLEEN M. MAZZARELLA

Kathleen M. Mazzarella

President and Chief Executive Officer
(Principal Executive Officer)

August 7, 2019

Date

/s/ SCOTT S. CLIFFORD

Scott S. Clifford

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

I, Kathleen M. Mazzarella, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Graybar Electric Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 7, 2019

Date

/s/ KATHLEEN M. MAZZARELLA

Kathleen M. Mazzarella

President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Scott S. Clifford, certify that:

- 1) I have reviewed this Quarterly Report on Form 10-Q of Graybar Electric Company, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 7, 2019

Date

/s/ SCOTT S. CLIFFORD

Scott. S. Clifford

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Kathleen M. Mazzarella, President and Chief Executive Officer of Graybar Electric Company, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 7, 2019

Date

/s/ KATHLEEN M. MAZZARELLA

Kathleen M. Mazzarella

President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott S. Clifford, Senior Vice President and Chief Financial Officer of Graybar Electric Company, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 7, 2019

Date

/s/ SCOTT S. CLIFFORD

Scott S. Clifford

Senior Vice President and Chief Financial Officer
(Principal Financial Officer)