

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, 2023

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
None

Trading Symbol(s)
N/A

Name of each exchange on which registered
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 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 ☐

Non-accelerated filer ☒

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 15, 2023: 26,783,481
(Number of Shares)

Graybar Electric Company, Inc. and Subsidiaries
Quarterly Report on Form 10-Q
For the Period Ended June 30, 2023
(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		Six Months Ended	
	June 30,		June 30,	
	2023	2022	2023	2022
<i>(Stated in millions, except per share data)</i>				
Net Sales	\$ 2,792.1	\$ 2,672.6	\$ 5,464.7	\$ 5,054.4
Cost of merchandise sold	(2,231.2)	(2,132.8)	(4,356.9)	(4,035.3)
Gross Margin	560.9	539.8	1,107.8	1,019.1
Selling, general and administrative expenses	(375.6)	(350.7)	(737.3)	(674.7)
Depreciation and amortization	(15.3)	(13.2)	(29.6)	(26.2)
Other income, net	1.1	1.5	1.9	2.4
Income from Operations	171.1	177.4	342.8	320.6
Non-operating expenses	(3.1)	(5.5)	(5.9)	(11.0)
Income before Provision for Income Taxes	168.0	171.9	336.9	309.6
Provision for income taxes	(43.6)	(44.1)	(87.5)	(79.4)
Net Income	124.4	127.8	249.4	230.2
Net income attributable to noncontrolling interests	(0.2)	(0.2)	(0.4)	(0.4)
Net Income attributable to Graybar Electric Company, Inc.	\$ 124.2	\$ 127.6	\$ 249.0	\$ 229.8
Net Income attributable to Graybar Electric Company, Inc. per share of Common Stock^(A)	\$ 4.64	\$ 4.80	\$ 9.28	\$ 8.65
Cash Dividends per share of Common Stock	\$ 0.30	\$ 0.30	\$ 0.60	\$ 0.60
Average Common Shares Outstanding^(A)	26.8	26.6	26.8	26.6

^(A)Adjusted for the declaration of a 15% stock dividend in 2022, shares related to which were issued in February 2023. Prior to the adjustment, the average common shares outstanding were 23.1 million for the three and six months ended June 30, 2022.

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		Six Months Ended	
	June 30,		June 30,	
<i>(Stated in millions)</i>	2023	2022	2023	2022
Net Income	\$ 124.4	\$ 127.8	\$ 249.4	\$ 230.2
Other Comprehensive Income				
Foreign currency translation	3.6	(4.5)	3.7	(2.3)
Pension and postretirement benefits liability adjustments (net of tax of \$(0.1), \$(1.6), \$(0.2) and \$(3.0), respectively)	0.2	4.3	0.4	8.7
Total Other Comprehensive Income (Loss)	3.8	(0.2)	4.1	6.4
Comprehensive Income	\$ 128.2	\$ 127.6	\$ 253.5	\$ 236.6
Less: Comprehensive income attributable to noncontrolling interests, net of tax	0.3	0.1	0.5	0.4
Comprehensive Income attributable to Graybar Electric Company, Inc.	\$ 127.9	\$ 127.5	\$ 253.0	\$ 236.2

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 BALANCE SHEETS

<i>(Stated in millions, except share and per share data)</i>		June 30. 2023	December 31. 2022
ASSETS		(Unaudited)	
Current Assets			
Cash and cash equivalents	\$	58.0	\$ 69.4
Trade receivables (less allowances of \$12.6 and \$13.4, respectively)		1,655.0	1,673.0
Merchandise inventory		923.3	1,026.3
Other current assets		78.3	83.7
Total Current Assets		2,714.6	2,852.4
Property, at cost			
Land		97.4	97.3
Buildings		580.5	562.1
Furniture and fixtures		298.0	282.9
Software		150.6	148.0
Finance leases		12.8	12.8
Total Property, at cost		1,139.3	1,103.1
Accumulated depreciation and amortization		(661.5)	(641.9)
Net Property		477.8	461.2
Operating Lease Right-of-use Assets		176.3	175.3
Goodwill		155.5	83.1
Intangible Assets (less accumulated amortization of \$28.5 and \$23.0, respectively)		148.3	91.3
Other Non-current Assets		107.5	85.8
Total Assets	\$	3,780.0	\$ 3,749.1
LIABILITIES			
Current Liabilities			
Short-term borrowings	\$	13.0	\$ 31.6
Current portion of long-term debt		1.7	1.6
Trade accounts payable		1,215.5	1,276.8
Accrued payroll and benefit costs		112.4	219.2
Other accrued taxes		28.9	34.3
Current operating lease liabilities		47.4	43.9
Other current liabilities		201.7	213.5
Total Current Liabilities		1,620.6	1,820.9
Postretirement Benefits Liability		55.5	55.5
Pension Liability		130.6	140.8
Long-term Debt		3.3	3.9
Non-current Operating Lease Liabilities		146.0	147.1
Other Non-current Liabilities		55.8	55.3
Total Liabilities		2,011.8	2,223.5
SHAREHOLDERS' EQUITY			
		Shares at	
		June 30, 2023	December 31, 2022
Capital Stock			
Common, stated value \$20.00 per share			
Authorized		50,000,000	50,000,000
Issued to voting trustees		22,759,481	22,085,481
Issued to shareholders		4,682,129	4,568,288
In treasury, at cost		(640,550)	(63,563)
Outstanding Common Stock		26,801,060	26,590,206
Advance Payments on Subscriptions to Common Stock		1.2	—
Retained Earnings		1,373.9	1,141.0
Accumulated Other Comprehensive Loss		(148.8)	(152.8)
Total Graybar Electric Company, Inc. Shareholders' Equity		1,762.3	1,520.0
Noncontrolling Interests		5.9	5.6
Total Shareholders' Equity		1,768.2	1,525.6
Total Liabilities and Shareholders' Equity	\$	3,780.0	\$ 3,749.1

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,	
(Stated in millions)	2023	2022
Cash Flows from Operating Activities		
Net Income	\$ 249.4	\$ 230.2
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	29.6	26.2
Non-cash operating lease expense	23.8	18.5
Deferred income taxes	2.6	(3.8)
Net gain on disposal of property	(0.3)	(0.2)
Losses on impairment of assets	0.3	—
Earnings on investment in employee deferred compensation trust	(0.2)	—
Net income attributable to noncontrolling interests	(0.4)	(0.4)
Changes in assets and liabilities:		
Trade receivables	32.6	(184.7)
Merchandise inventory	124.0	(141.0)
Other current assets	6.4	(11.3)
Other non-current assets	(1.2)	(1.3)
Trade accounts payable	(72.7)	250.5
Accrued payroll and benefit costs	(108.3)	(59.8)
Other current liabilities	(14.0)	(0.8)
Other non-current liabilities	(33.6)	(18.0)
Total adjustments to net income	(11.4)	(126.1)
Net cash provided by operating activities	238.0	104.1
Cash Flows from Investing Activities		
Proceeds from disposal of property	0.6	0.4
Capital expenditures for property	(37.1)	(22.9)
Acquisition, net of cash acquired	(157.5)	—
Investment in employee deferred compensation trust	(25.0)	—
Net cash used by investing activities	(219.0)	(22.5)
Cash Flows from Financing Activities		
Net decrease in short-term borrowings	(18.6)	(42.0)
Principal payments under finance arrangements	(0.9)	(1.1)
Sales of common stock	16.9	14.6
Purchases of common stock	(11.5)	(8.3)
Purchases of noncontrolling interests' common stock	(0.2)	(0.4)
Dividends paid	(16.1)	(13.9)
Net cash used by financing activities	(30.4)	(51.1)
Net (Decrease) Increase in Cash	(11.4)	30.5
Cash, Beginning of Year	69.4	48.5
Cash, End of Period	\$ 58.0	\$ 79.0
Non-cash Investing and Financing Activities		
Acquisitions of equipment under finance leases	\$ 0.4	\$ 1.2
Acquisitions of assets under operating leases	\$ 25.0	\$ 28.9

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			Accumulated Other			Total
	Common Stock	Subscribed, Unissued	Retained Earnings	Comprehensive Loss	Noncontrolling Interests		Shareholders' Equity
December 31, 2022	\$ 531.8	\$ —	\$ 1,141.0	\$ (152.8)	\$ 5.6	\$	1,525.6
Net income			124.8		0.2		125.0
Other comprehensive income				0.3			0.3
Stock issued	11.6						11.6
Stock purchased	(5.4)				(0.2)		(5.6)
Advance payments		1.2					1.2
Dividends declared			(8.0)				(8.0)
March 31, 2023	\$ 538.0	\$ 1.2	\$ 1,257.8	\$ (152.5)	\$ 5.6	\$	1,650.1
Net income			124.2		0.2		124.4
Other comprehensive income				3.7	0.1		3.8
Stock issued	4.1						4.1
Stock purchased	(6.1)						(6.1)
Dividends declared			(8.1)				(8.1)
June 30, 2023	\$ 536.0	\$ 1.2	\$ 1,373.9	\$ (148.8)	\$ 5.9	\$	1,768.2

	Graybar Electric Company, Inc. Shareholders' Equity						
	Common Stock			Accumulated Other			Total
	Common Stock	Subscribed, Unissued	Retained Earnings	Comprehensive Loss	Noncontrolling Interests		Shareholders' Equity
December 31, 2021	\$ 456.7	\$ —	\$ 850.3	\$ (180.5)	\$ 5.4	\$	1,131.9
Net income			102.2		0.2		102.4
Other comprehensive income				6.5	0.1		6.6
Stock issued	10.4						10.4
Stock purchased	(4.1)				(0.3)		(4.4)
Advance payments		1.1					1.1
Dividends declared			(7.0)				(7.0)
March 31, 2022	\$ 463.0	\$ 1.1	\$ 945.5	\$ (174.0)	\$ 5.4	\$	1,241.0
Net income			127.6		0.2		127.8
Other comprehensive loss				(0.1)	(0.1)		(0.2)
Stock issued	3.7						3.7
Stock purchased	(4.2)				(0.1)		(4.3)
Advance payments		(0.6)					(0.6)
Dividends declared			(6.9)				(6.9)
June 30, 2022	\$ 462.5	\$ 0.5	\$ 1,066.2	\$ (174.1)	\$ 5.4	\$	1,360.5

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, commercial, institutional and government ("CIG"), and industrial & utility 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"). In our primary role as third-party wholesale distributor, we neither manufacture nor contract to manufacture the products that we sell; however, one of our subsidiaries may contract to manufacture some of its private label lighting fixtures. 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. The full summary of our significant accounting policies is included in our latest Annual Report on Form 10-K for the year ended December 31, 2022.

Basis of Presentation

The unaudited condensed consolidated financial statements included herein have been prepared by Graybar pursuant to the rules and regulations of the U.S. Securities and Exchange 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 as of and for the year ended December 31, 2022, 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 our subsidiary companies. All material intercompany balances and transactions have been eliminated. The ownership interests that are held by owners other than the Company are in subsidiaries owned by the Company and are accounted for and reported as noncontrolling interests.

Reclassifications

Certain reclassifications have been made to prior year's financial information to conform to the June 30, 2023 presentation. These changes consisted of disaggregating other non-current assets into separate captions within the December 31, 2022 consolidated balance sheet. The reclassifications had no effect on total assets or liabilities as of December 31, 2022.

Subsequent Events

On July 14, 2023, we completed the acquisition of Shepherd Electric Supply, an electrical distributor that serves the Washington-Baltimore metropolitan area, by acquiring 100% of its outstanding equity interests. The acquisition was funded with cash on hand and short-term borrowings. We believe acquiring Shepherd will strengthen our competitive position in the Washington-Baltimore metropolitan area and provide a solid foundation for future growth. Initial purchase accounting of the transaction is not yet complete as certain financial records and preliminary valuation of the intangible assets acquired are not yet available. As such, information regarding the assets acquired and liabilities assumed, goodwill, and intangible assets cannot be determined at this time.

We also amended the Prudential Shelf Agreement on July 20, 2023, as defined in Note 5, “Debt”. The amendment, among other things, increased availability under the Prudential Shelf Agreement from \$100.0 million to \$200.0 million and extended the issuance period to August 2026. The other material terms of the Prudential Shelf Agreement remain unchanged.

New Accounting Standards

In September 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU” or “Update”) 2022-04, “Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations”, which requires entities to disclose the key terms of supplier finance programs used in connection with the purchase of goods and services along with information about their obligations under these programs, including a rollforward of those obligations. This Update does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The Update is effective for all entities for fiscal years beginning after December 15, 2022 and interim periods within those fiscal years, except for the rollforward requirement, which is effective for fiscal years beginning after December 15, 2023. The guidance would be applied retrospectively, other than the rollforward requirement, which would be applied prospectively. While we do not have a supplier finance program currently in place, we are considering introducing a supplier finance program in 2023 and, therefore, are simultaneously evaluating the impact of adopting the Update on our consolidated financial statements.

In December 2022, the FASB issued ASU 2022-06, “Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848” which provides final guidance that defers the sunset date for applying the reference rate reform relief in ASC 848 to December 31, 2024, from December 31, 2022. The guidance is effective upon issuance. We have transitioned to the Secured Overnight Financing Rate (“SOFR”) as our reference rate effective March 29, 2023, as described in Note 5, “Debt”. The adoption of this Update did not have a material impact on our consolidated financial statements.

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, 2023 and 2022:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Construction	57.5 %	56.9 %	56.9 %	57.2 %
CIG	24.6	26.0	24.8	25.6
Industrial & Utility	17.9	17.1	18.3	17.2
Total net sales	100.0 %	100.0 %	100.0 %	100.0 %

Certain reclassifications have been made to the vertical market assigned to customers in the prior year’s information to conform to the June 30, 2023 presentation.

We had no material contract assets, contract liabilities, or deferred contract costs recorded on the condensed consolidated balance sheet as of June 30, 2023 and December 31, 2022. In addition, for the three and six months ended June 30, 2023 and 2022, revenue recognized in the reporting period that was included in the contract liability balance at the beginning of the period was not material.

4. INCOME TAXES

Our total provision for income taxes was \$43.6 million and \$87.5 million for the three and six months ended June 30, 2023, 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 was 26.0% for the six months ended June 30, 2023 compared to 25.6% for the six months ended June 30, 2022.

Our federal income tax returns for the tax years 2019 and forward are available for examination by the U.S. Internal Revenue Service (“IRS”). The statute of limitations for the 2019 federal return will expire on October 15, 2023, unless extended by consent. Our state income tax returns for 2018 through 2022 remain subject to examination by various state authorities with the latest period closing on December 31, 2027. We have not extended the statutes of limitations in any state jurisdictions with respect to years prior to 2018.

5. DEBT

Revolving Credit Facility

At December 31, 2022, we, along with Graybar Canada Limited, our Canadian operating subsidiary ("Graybar Canada"), had an unsecured, five-year, \$750.0 million committed revolving credit agreement maturing in August 2026 with Bank of America, N.A. and the other lenders named therein (the "Revolving Credit Facility"), which included 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 Revolving Credit Facility included a \$100.0 million sublimit (in U.S. or Canadian dollars) available for borrowings by Graybar Canada. Our borrowing availability under the facility is reduced by the amount of borrowings by Graybar Canada, but we may use the sublimit amount to increase our borrowings, to the extent available. If we were to use available borrowings under the Revolving Credit Facility that included the sublimit amount, then Graybar Canada's available capacity would be reduced by our use of such amount. The Revolving Credit Facility contained an accordion feature, which allowed us to request increases in the aggregate borrowing commitments of up to \$375.0 million.

On March 29, 2023, we, along with Graybar Canada, amended the Revolving Credit Facility, pursuant to the terms and conditions of a Fifth Amendment to Credit Agreement, dated as of March 29, 2023 (the "Amended Credit Agreement"), by and among Graybar, as parent borrower, Graybar Canada Limited, as a borrower, the lenders party thereto, Bank of America, N.A. as Domestic Administrative Agent, Domestic Swing Line Lender and Domestic L/C Issuer and Bank of America, N.A., acting through its Canada Branch, as Canadian Administrative Agent, Canadian Swing Line Lender and Canadian L/C Issuer.

The Amended Credit Agreement replaced the London Interbank Offered Rate ("LIBOR")-based Eurodollar reference interest rate with a reference interest rate based on Term SOFR and introduced transition language for the Canadian Dealer Offered Rate ("CDOR"), in anticipation of the eventual discontinuation of CDOR, which is expected to be on or before June 28, 2024. Our borrowing availability remains unchanged under the Amended Credit Agreement.

The Amended Credit Agreement contains customary affirmative and negative covenants for credit facilities of this type, including limitations on us and all but certain of our subsidiaries with respect to indebtedness (with specified, limited exceptions), liens, changes in the nature of our business, investments, mergers and acquisitions, issuance of equity securities, dispositions of assets and dissolution of certain subsidiaries, transactions with affiliates, as well as securitizations, factoring transactions, and transactions with sanctioned parties or in violation of certain US or Canadian anti-corruption and anti-money laundering laws. There are also maximum leverage ratio and minimum interest coverage ratio financial covenants to which we will be subject during the term of the Amended Credit Agreement.

We were in compliance with all covenants under the Amended Credit Agreement and Revolving Credit Facility, respectively, as of June 30, 2023 and December 31, 2022.

There were \$13.0 million in short-term borrowings as of June 30, 2023, of which all were under the Amended Credit Agreement. There were \$31.6 million in short-term borrowings as of December 31, 2022, of which \$30.0 million were under the Revolving Credit Facility.

Short-term borrowings outstanding during the six months ended June 30, 2023 ranged from no short-term borrowings to a maximum of \$175.0 million. Short-term borrowings outstanding during the six months ended June 30, 2022 ranged from a minimum of \$33.1 million to a maximum of \$173.1 million.

At June 30, 2023, we had unused lines of credit under the Amended Credit Agreement amounting to \$735.1 million available, compared to \$718.1 million at December 31, 2022 under the Revolving Credit Facility. 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 \$1.5 million and \$0.7 million for the three months ended June 30, 2023 and 2022, respectively. Interest expense, net was \$2.4 million and \$1.5 million for the six months ended June 30, 2023 and 2022, respectively.

Private Placement Shelf Agreements

At June 30, 2023, we had an uncommitted, unsecured \$100.0 million private placement shelf agreement (the "Prudential Shelf Agreement") with PGIM, Inc., which was 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 2023. On July 20, 2023, we amended the Prudential Shelf Agreement. The amendment, among other things, increased availability under the Prudential Shelf

Agreement from \$100.0 million to \$200.0 million and extended the issuance period to August 2026. The other material terms of the Prudential Shelf Agreement were unchanged.

We also have an uncommitted, unsecured \$150.0 million private placement shelf agreement (the "MetLife Shelf Agreement") with MetLife Investment Management, LLC (formerly known as MetLife Investment Advisors, LLC), and MetLife Investment Management Limited (collectively, "MetLife") and each other MetLife affiliate that becomes a party to the agreement. 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 issuance period ending in June 2024.

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 Amended Credit Agreement.

No notes have been issued under either the Prudential Shelf Agreement or the MetLife Shelf Agreement as of June 30, 2023 and December 31, 2022.

Each shelf agreement contains representations and warranties of the Company and the applicable lender, events of default and affirmative and negative covenants, customary for agreements of this type. These covenants are substantially similar to those contained in the Amended Credit Agreement, subject to a number of 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, 2023 and December 31, 2022.

Letters of Credit

We had total letters of credit of \$7.7 million outstanding at June 30, 2023, of which \$1.9 million were issued under the Amended Credit Agreement. We had total letters of credit of \$7.8 million outstanding at December 31, 2022, of which \$1.9 million were issued under the Revolving Credit Facility. The letters of credit are issued primarily to support certain workers' compensation insurance policies and support performance under certain customer contracts.

6. 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 final average earnings and years of service. 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 the Employee Retirement Income Security Act of 1974 ("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. 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, 2023 and December 31, 2022.

The net periodic benefit cost for the three and six months ended June 30, 2023 and 2022 included the following components:

Components of Net Periodic Benefit Cost	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2023	2022	2023	2022
Selling, general and administrative expenses:				
Service cost	\$ 6.3	\$ 6.9	\$ 0.4	\$ 0.5
Total selling, general and administrative expenses	\$ 6.3	\$ 6.9	\$ 0.4	\$ 0.5
Non-operating expenses:				
Interest cost	\$ 7.9	\$ 5.9	\$ 0.8	\$ 0.5
Expected return on plan assets	(7.2)	(7.5)	—	—
Amortization of net actuarial loss	0.3	5.7	—	0.2
Total non-operating expenses	\$ 1.0	\$ 4.1	\$ 0.8	\$ 0.7
Net periodic benefit cost	\$ 7.3	\$ 11.0	\$ 1.2	\$ 1.2

Components of Net Periodic Benefit Cost	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Selling, general and administrative expenses:				
Service cost	\$ 12.2	\$ 14.0	\$ 0.7	\$ 1.0
Total selling, general and administrative expenses	\$ 12.2	\$ 14.0	\$ 0.7	\$ 1.0
Non-operating expenses:				
Interest cost	\$ 15.9	\$ 12.0	\$ 1.7	\$ 1.0
Expected return on plan assets	(14.5)	(15.2)	—	—
Amortization of net actuarial loss	0.6	11.4	—	0.3
Total non-operating expenses	\$ 2.0	\$ 8.2	\$ 1.7	\$ 1.3
Net periodic benefit cost	\$ 14.2	\$ 22.2	\$ 2.4	\$ 2.3

We made qualified and nonqualified pension contributions totaling \$10.0 million during the three-month periods ended June 30, 2023 and 2022. Contributions made during the six-month periods ended June 30, 2023 and 2022 totaled \$23.9 million and \$22.0 million, respectively. Additional contributions of \$20.0 million are expected to be paid during the remainder of 2023, but may change at our discretion.

7. 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 because under applicable New York law, a voting trust may not have a term greater than ten years. At June 30, 2023, approximately 83% of our outstanding 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 \$8.1 million and \$6.9 million for the three months ended June 30, 2023 and 2022, respectively. Cash dividends paid were \$16.1 million and \$13.9 million for the six months ended June 30, 2023 and 2022, 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, 2023 and December 31, 2022.

8. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table represents amounts reclassified from accumulated other comprehensive loss for the three months ended June 30, 2023 and 2022:

	Three Months Ended June 30, 2023		Three Months Ended June 30, 2022	
	Amortization of Pension and Other Postretirement Benefits Items		Amortization of Pension and Other Postretirement Benefits Items	
	Actuarial Losses Recognized		Actuarial Losses Recognized	
Affected Line in Condensed Consolidated Statement of Income:				
Non-operating expenses	\$	0.3	\$	5.9
Tax benefit		(0.1)		(1.6)
Total reclassifications for the period, net of tax	\$	0.2	\$	4.3

The following table represents amounts reclassified from accumulated other comprehensive loss for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	Amortization of Pension and Other Postretirement Benefits Items		Amortization of Pension and Other Postretirement Benefits Items	
	Actuarial Losses Recognized		Actuarial Losses Recognized	
Affected Line in Condensed Consolidated Statement of Income:				
Non-operating expenses	\$	0.6	\$	11.7
Tax benefit		(0.2)		(3.0)
Total reclassifications for the period, net of tax	\$	0.4	\$	8.7

The following table represents the activity included in accumulated other comprehensive loss for the three months ended June 30, 2023 and 2022:

	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022		
	Foreign Currency	Pension and Other Postretirement	Total	Foreign Currency	Pension and Other Postretirement	Total
Beginning balance April 1,	\$ (14.5)	\$ (138.0)	\$ (152.5)	\$ (2.9)	\$ (171.1)	\$ (174.0)
Other comprehensive income (loss) before reclassifications	3.5	—	3.5	(4.4)	—	(4.4)
Amounts reclassified from accumulated other comprehensive income (net of tax \$(0.1) and \$(1.6))	—	0.2	0.2	—	4.3	4.3
Net current-period other comprehensive income (loss)	3.5	0.2	3.7	(4.4)	4.3	(0.1)
Ending balance June 30,	\$ (11.0)	\$ (137.8)	\$ (148.8)	\$ (7.3)	\$ (166.8)	\$ (174.1)

The following table represents the activity included in accumulated other comprehensive loss for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		
	Foreign Currency	Pension and Other Postretirement	Total	Foreign Currency	Pension and Other Postretirement	Total
Beginning balance January 1,	\$ (14.6)	\$ (138.2)	\$ (152.8)	\$ (5.0)	\$ (175.5)	\$ (180.5)
Other comprehensive income (loss) before reclassifications	3.6	—	3.6	(2.3)	—	(2.3)
Amounts reclassified from accumulated other comprehensive income (net of tax \$(0.2) and \$(3.0))	—	0.4	0.4	—	8.7	8.7
Net current-period other comprehensive income (loss)	3.6	0.4	4.0	(2.3)	8.7	6.4
Ending balance June 30,	\$ (11.0)	\$ (137.8)	\$ (148.8)	\$ (7.3)	\$ (166.8)	\$ (174.1)

9. COMMITMENTS AND CONTINGENCIES

We 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.

We have in place insurance coverage for litigation defense and claim settlement costs incurred in connection with our asbestos claims. We estimate the value of probable insurance recoveries associated with our asbestos reserve based on management's interpretations and estimates surrounding the available or applicable insurance coverage. We estimate the future payments for litigation defense and claim settlement costs based on our historical liabilities and current and projected caseloads. At June 30, 2023 and December 31, 2022, we had \$2.5 million and \$41.5 million of insurance receivables recorded in other current assets and other non-current assets, respectively, and \$2.5 million and \$41.5 million recorded in other current liabilities and other non-current liabilities, respectively, related to our asbestos litigation defense and claims settlement reserve.

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.

10. ACQUISITION

On May 1, 2023, we completed an acquisition for a preliminary purchase price of \$157.5 million in cash, net of cash acquired. Since the date of acquisition, the acquired subsidiary results are reflected in our condensed consolidated financial statements. Pro forma results of the acquisition were not material; therefore, they are not presented.

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, 2022, 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; a sustained interruption in the operation of our information systems; volatility in the prices of industrial commodities; cyber-attacks; increased funding requirements and expenses related to our pension plan; disruptions in our sources of supply; a pandemic, epidemic, or other public health emergency similar to the recent COVID-19 pandemic; 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, 2022.

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, commercial, institutional and government ("CIG"), and industrial & utility 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"). In our primary role as third-party wholesale distributor, we neither manufacture nor contract to manufacture the products that we sell; however, one of our subsidiaries may contract to manufacture some of its private label lighting fixtures. 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

We set a new quarterly sales record in the second quarter of 2023. Our net sales for the second quarter of 2023 totaled \$2,792.1 million, compared to \$2,672.6 million for the second quarter of 2022, an increase of \$119.5 million, or 4.5%. Gross margin for the

second quarter of 2023 increased \$21.1 million, or 3.9%, to \$560.9 million, compared to gross margin of \$539.8 million for the same three-month period ended June 30, 2022. Our gross margin rate decreased slightly to 20.1% for the second quarter of 2023, compared to 20.2% for the second quarter of 2022.

Selling, general and administrative (“SG&A”) expenses increased \$24.9 million, or 7.1%, to \$375.6 million for the three months ended June 30, 2023 from \$350.7 million for the three months ended June 30, 2022, primarily due to higher compensation, rent, and maintenance costs. SG&A as a percentage of net sales increased to 13.5% for the second quarter of 2023, compared to 13.1% for the same three-month period in 2022.

Income from operations decreased \$6.3 million, or 3.6%, to \$171.1 million for the three months ended June 30, 2023, from \$177.4 million for the same three-month period last year. Since the increase in gross margin was less than the increase in SG&A expenses, net income attributable to Graybar for the three months ended June 30, 2023 decreased by \$3.4 million, or 2.7%, to \$124.2 million for the three months ended June 30, 2023, compared to \$127.6 million for the same three-month period last year.

Net sales for the six months ended June 30, 2023 were \$5,464.7 million, an increase of \$410.3 million, or 8.1%, from net sales of \$5,054.4 million for the same six-month period last year. Gross margin for the six months ended June 30, 2023 was \$1,107.8 million, an increase of \$88.7 million, or 8.7%, compared to gross margin of \$1,019.1 million for the same six-month period last year. Gross margin rate was 20.3% for the six-month period ended June 30, 2023, compared to 20.2% for the six-month period ended June 30, 2022. Net income attributable to Graybar for the six months ended June 30, 2023 was \$249.0 million, an increase of \$19.2 million, or 8.4%, from net income attributable to Graybar of \$229.8 million for the same six-month period last year.

We continue to see demand for our products and services, even as the markets we serve are affected by rising interest rates, skilled labor shortages and economic uncertainty. Overall supply chain conditions are improving, although ongoing challenges persist for some product categories. As we move forward, we remain focused on providing exceptional service to our customers, minimizing potential risks, and managing our business wisely. We are also preparing for the future by investing in people, process improvement, and technology to transform our business, while we pursue opportunities to broaden our reach, expand our capabilities, and strengthen our long-term position as an industry leader.

Consolidated Results of Operations

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

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, 2023 and 2022:

	Three Months Ended June 30, 2023		Three Months Ended June 30, 2022	
	Dollars	Percent	Dollars	Percent
Net Sales	\$ 2,792.1	100.0 %	\$ 2,672.6	100.0 %
Cost of merchandise sold	(2,231.2)	(79.9)	(2,132.8)	(79.8)
Gross Margin	560.9	20.1	539.8	20.2
Selling, general and administrative expenses	(375.6)	(13.5)	(350.7)	(13.1)
Depreciation and amortization	(15.3)	(0.5)	(13.2)	(0.5)
Other income, net	1.1	—	1.5	—
Income from Operations	171.1	6.1	177.4	6.6
Non-operating expenses	(3.1)	(0.1)	(5.5)	(0.2)
Income before Provision for Income Taxes	168.0	6.0	171.9	6.4
Provision for income taxes	(43.6)	(1.6)	(44.1)	(1.6)
Net Income	124.4	4.4	127.8	4.8
Net income attributable to noncontrolling interests	(0.2)	—	(0.2)	—
Net Income attributable to Graybar Electric Company, Inc.	\$ 124.2	4.4 %	\$ 127.6	4.8 %

Net sales increased to \$2,792.1 million for the quarter ended June 30, 2023, compared to \$2,672.6 million for the quarter ended June 30, 2022, an increase of \$119.5 million, or 4.5%. For the three months ended June 30, 2023, net sales in our construction and industrial & utility vertical markets increased by 5.7% and 9.1%, respectively, when compared to the same three-month period of 2022. Net sales in our CIG vertical market decreased by 1.3% when compared to the same three-month period of 2022.

Gross margin increased \$21.1 million, or 3.9%, to \$560.9 million from \$539.8 million for the three months ended June 30, 2023, compared to the same period of 2022. Our gross margin as a percentage of net sales was 20.1% for the three months ended June 30, 2023, down from 20.2% for the same three-month period in 2022.

SG&A expenses increased \$24.9 million, or 7.1%, to \$375.6 million in the second quarter of 2023 from \$350.7 million in the second quarter of 2022, primarily due to higher compensation, rent, and maintenance costs. SG&A expenses as a percentage of net sales were 13.5% for the three months ended June 30, 2023, up from 13.1% for the three months ended June 30, 2022.

Depreciation and amortization for the three months ended June 30, 2023 increased \$2.1 million, or 15.9%, to \$15.3 million from \$13.2 million, compared to the same period in 2022 primarily due to higher amortization expense of intangible assets and an increase in property, at cost. Total property, at cost, at June 30, 2023 was \$1,139.3 million, an increase of \$60.1 million, or 5.6%, when compared to total property, at cost, at June 30, 2022 of \$1,079.2 million. Depreciation and amortization as a percentage of net sales remained constant at 0.5% for the three months ended June 30, 2023 and 2022.

Non-operating expenses for the three months ended June 30, 2023 decreased \$2.4 million, or 43.6%, to \$3.1 million from \$5.5 million for the three months ended June 30, 2022. This was primarily due to decreases in non-service cost components of pension net periodic benefit costs of \$3.1 million, partially offset by an increase in interest expense, net of \$0.8 million for the three months ended June 30, 2023, compared to the same three-month period in 2022.

Income before provision for income taxes totaled \$168.0 million for the three months ended June 30, 2023, a decrease of \$3.9 million, or 2.3%, from \$171.9 million for the three months ended June 30, 2022 primarily due to our increase in gross margin being less than our increase in SG&A expenses.

Our total provision for income taxes decreased \$0.5 million, or 1.1%, to \$43.6 million for the three months ended June 30, 2023, compared to \$44.1 million for the same period of 2022. This decrease in our provision for income taxes was due to slightly lower pretax income. Our effective tax rate was 26.0% for the three months ended June 30, 2023, compared to 25.6% for the same period of 2022. The effective tax rate for the three months ended June 30, 2023 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, 2023 decreased \$3.4 million, or 2.7%, to \$124.2 million from \$127.6 million for the three months ended June 30, 2022.

Six Months Ended June 30, 2023 Compared to Six Months Ended June 30, 2022

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, 2023 and 2022:

	Six Months Ended June 30, 2023		Six Months Ended June 30, 2022	
	Dollars	Percent	Dollars	Percent
Net Sales	\$ 5,464.7	100.0 %	\$ 5,054.4	100.0 %
Cost of merchandise sold	(4,356.9)	(79.7)	(4,035.3)	(79.8)
Gross Margin	1,107.8	20.3	1,019.1	20.2
Selling, general and administrative expenses	(737.3)	(13.5)	(674.7)	(13.4)
Depreciation and amortization	(29.6)	(0.5)	(26.2)	(0.5)
Other income, net	1.9	—	2.4	—
Income from Operations	342.8	6.3	320.6	6.3
Non-operating expenses	(5.9)	(0.1)	(11.0)	(0.2)
Income before Provision for Income Taxes	336.9	6.2	309.6	6.1
Provision for income taxes	(87.5)	(1.6)	(79.4)	(1.6)
Net Income	249.4	4.6	230.2	4.5
Net income attributable to noncontrolling interests	(0.4)	—	(0.4)	—
Net Income attributable to Graybar Electric Company, Inc.	\$ 249.0	4.6 %	\$ 229.8	4.5 %

Net sales increased to \$5,464.7 million for the six months ended June 30, 2023, compared to \$5,054.4 million for the six months ended June 30, 2022, an increase of \$410.3 million, or 8.1%. Net sales in our construction, CIG, and industrial & utility vertical

markets increased by 7.5%, 5.0%, and 14.9%, respectively, for the six months ended June 30, 2023, compared to the same six-month period of 2022.

Gross margin increased \$88.7 million, or 8.7%, to \$1,107.8 million from \$1,019.1 million for the six months ended June 30, 2023, compared to the same period of 2022. Our gross margin as a percentage of net sales was 20.3% for the six months ended June 30, 2023, up from 20.2% for the same six-month period in 2022.

SG&A expenses increased \$62.6 million, or 9.3%, to \$737.3 million, for the six months ended June 30, 2023, compared to \$674.7 million for the six months ended June 30, 2022, mainly due to higher compensation, rent, and maintenance costs. SG&A expenses as a percentage of net sales were 13.5% for the six months ended June 30, 2023, up from 13.4% for the six months ended June 30, 2022.

Depreciation and amortization for the six months ended June 30, 2023 increased \$3.4 million, or 13.0%, to \$29.6 million from \$26.2 million for the same six-month period in 2022 primarily due to higher amortization expense of intangible assets and an increase in property, at cost. Total property, at cost, at June 30, 2023 was \$1,139.3 million, an increase of \$60.1 million, or 5.6%, when compared to total property, at cost, at June 30, 2022 of \$1,079.2 million. Depreciation and amortization as a percentage of net sales remained constant at 0.5% for the six months ended June 30, 2023 and 2022.

Non-operating expenses decreased \$5.1 million, or 46.4%, to \$5.9 million for the six months ended June 30, 2023, compared to \$11.0 million for the same period of 2022. This was primarily due to decreases in non-service cost components of pension net periodic benefit costs of \$6.2 million, partially offset by an increase in interest expense, net of \$0.9 million for the six months ended June 30, 2023, compared to the same six-month period in 2022.

Income before provision for income taxes totaled \$336.9 million for the six months ended June 30, 2023, an increase of \$27.3 million, or 8.8%, from \$309.6 million for the six months ended June 30, 2022. The increase was primarily due to our increase in gross margin partially offset by increases in SG&A expenses.

Our total provision for income taxes increased \$8.1 million, or 10.2%, to \$87.5 million for the six months ended June 30, 2023, compared to \$79.4 million for the same period in 2022. The increase in our provision for income taxes year over year resulted from increased pretax income. Our year-to-date effective tax rate was 26.0% for the six months ended June 30, 2023 compared to 25.6% for 2022. The effective tax rate for the six months ended June 30, 2023 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, 2023 increased \$19.2 million, or 8.4%, to \$249.0 million from \$229.8 million for the six months ended June 30, 2022.

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 invest in strategic long-term growth plans.

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

Our cash and cash equivalents at June 30, 2023 were \$58.0 million, compared to \$69.4 million at December 31, 2022, a decrease of \$11.4 million, or 16.4%. Cash on hand and levels of short-term borrowings at June 30, 2023 are reflective of strong cash flows from operating activities as a result of increased net income and effective working capital management. As a result, short-term borrowings decreased by \$18.6 million, or 58.9%, to \$13.0 million at June 30, 2023, from \$31.6 million at December 31, 2022. Current assets exceeded current liabilities by \$1,094.0 million at June 30, 2023, an increase of \$62.5 million, or 6.1%, from \$1,031.5 million at December 31, 2022.

Operating Activities

Net cash flows provided by operating activities for the six months ended June 30, 2023 was \$238.0 million, compared to cash provided by operating activities of \$104.1 million for the six months ended June 30, 2022, an increase of \$133.9 million, or 128.6%. Net cash provided by operating activities for the six months ended June 30, 2023 was primarily attributable to net income of \$249.4

million adjusted for non-cash depreciation and amortization expenses of \$29.6 million, and a decrease in merchandise inventory levels of \$124.0 million during the six months ended June 30, 2023, partially offset by decreases in accrued payroll and benefit costs of \$108.3 million and trade accounts payable of \$72.7 million from December 31, 2022 to June 30, 2023.

The average number of days of sales in trade receivables for the six-month period ended June 30, 2023 improved moderately compared to the same six-month period ended June 30, 2022. The days in inventory improved significantly for the six months ended June 30, 2023, compared to the six months ended June 30, 2022.

Investing Activities

Net cash used by investing activities totaled \$219.0 million for the six months ended June 30, 2023, compared to net cash used by investing activities of \$22.5 million for the same six-month period in 2022, an increase of \$196.5 million. Cash used by investing activities for the six months ended June 30, 2023 was primarily the result of an acquisition, net of cash acquired of \$157.5 million, capital expenditures of \$37.1 million, and an investment in an employee deferred compensation trust of \$25.0 million. Cash used by investing activities for the six months ended June 30, 2022 was primarily the result of capital expenditures of \$22.9 million.

Financing Activities

Net cash used by financing activities for the six months ended June 30, 2023 totaled \$30.4 million, compared to net cash used by financing activities of \$51.1 million for the six months ended June 30, 2022, a decrease of \$20.7 million. The decrease in net cash used by financing activities was primarily due to net payments on short-term borrowings of \$18.6 million during the six months ended June 30, 2023, compared to net payments on short-term borrowings of \$42.0 million in the same six-month period in 2022.

Liquidity

Our cash and cash equivalents at June 30, 2023 were \$58.0 million, compared to \$69.4 million at December 31, 2022. We also had a \$750.0 million amended unsecured, committed revolving credit facility ("Amended Credit Agreement") with \$735.1 million in available capacity at June 30, 2023, compared to available capacity of \$718.1 million at December 31, 2022, under the Revolving Credit Facility. At June 30, 2023 and December 31, 2022, we also had two uncommitted, unsecured private placement shelf agreements ("Shelf Agreements"). One of the Shelf Agreements was expected to allow us to issue senior promissory notes up to \$100.0 million 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 2023. On July 20, 2023, we amended the Prudential Shelf Agreement, as defined in Note 5, "Debt", of the notes to the condensed consolidated financial statements located in Item 1., "Financial Statements", of this Quarterly Report on Form 10-Q. The amendment, among other things, increased availability under the Prudential Shelf Agreement from \$100.0 million to \$200.0 million and extended the issuance period to August 2026. The other material terms of the Prudential Shelf Agreement were unchanged.

Our other Shelf Agreement is expected to allow us to issue senior promissory notes up to \$150.0 million to MetLife Investment Management, LLC (formerly known as MetLife Investment Advisors, LLC), and MetLife Investment Management Limited (collectively, "MetLife") and each other MetLife affiliate that becomes party to the agreement at fixed or floating rate economic terms to be agreed upon at the time of any issuance during a three-year issuance period ending in June 2024.

We have not issued any notes under the Shelf Agreements as of June 30, 2023 and December 31, 2022. For further discussion related to our Amended Credit Agreement and our Shelf Agreements, refer to Note 5, "Debt", of the notes to the condensed consolidated financial statements located in Item 1., "Financial Statements", of this Quarterly Report on Form 10-Q.

We had total letters of credit of \$7.7 million outstanding at June 30, 2023, of which \$1.9 million were issued under the Amended Credit Agreement. We had total letters of credit of \$7.8 million outstanding at December 31, 2022, of which \$1.9 million were issued under the Revolving Credit Facility. The letters of credit are issued primarily to support certain workers' compensation insurance policies and support performance under certain customer contracts.

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, 2022.

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, 2023, 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, because under applicable New York law, a voting trust may not have a term greater than ten years. At June 30, 2023, approximately 83% of our outstanding 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, 2023	171,476	\$20.00	N/A
May 1 - May 31, 2023	71,921	\$20.00	N/A
June 1 - June 30, 2023	61,453	\$20.00	N/A
Total	304,850	\$20.00	N/A

Item 5. Other Information.

- (c) None of the Company's directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended June 30, 2023. Such arrangements would not apply to the Company because no holder of our shares may sell, transfer or otherwise dispose of our shares without first offering the Company the option to purchase those shares at the price at which they were issued.

Item 6. Exhibits.

3.1	<u>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.</u>
3.2	<u>By-laws as amended through March 8, 2023, filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K dated March 8, 2023 (Commission File No. 000-00255) and incorporated herein by reference.</u>
4	<u>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.</u>
9	Voting Trust Agreement dated as of March 3, 2017, included at Exhibit 4 above.
31.1	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Executive Officer</u>
31.2	<u>Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Principal Financial Officer</u>
32.1	<u>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</u>
32.2	<u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Principal Financial Officer</u>
101.INS	XBRL Instance Document – the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL 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
104	Cover Page Interactive Data File (formatted in Inline XBRL contained in Exhibit 101)

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.

July 31, 2023

Date

/s/ Kathleen M. Mazzarella

Kathleen M. Mazzarella
President and Chief Executive Officer
(Principal Executive Officer)

July 31, 2023

Date

/s/ David M. Meyer

David M. Meyer
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.

Date: July 31, 2023

/s/ Kathleen M. Mazzarella

Kathleen M. Mazzarella

President, Chief Executive Officer and Principal Executive Officer

CERTIFICATION

I, David M. Meyer, 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.

Date: July 31, 2023

/s/ David M. Meyer

David M. Meyer

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, 2023 (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.

Date: July 31, 2023

/s/ Kathleen M. Mazzarella

Kathleen M. Mazzarella

President, Chief Executive Officer and 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, David M. Meyer, 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, 2023 (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.

Date: July 31, 2023

/s/ David M. Meyer

David M. Meyer

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