

# Baird 2017 Industrial Conference

## November 9, 2017

Erik Gershwind – Chief Executive Officer

John Chironna – VP, Investor Relations & Treasurer

# SAFE HARBOR STATEMENT

## CAUTIONARY STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

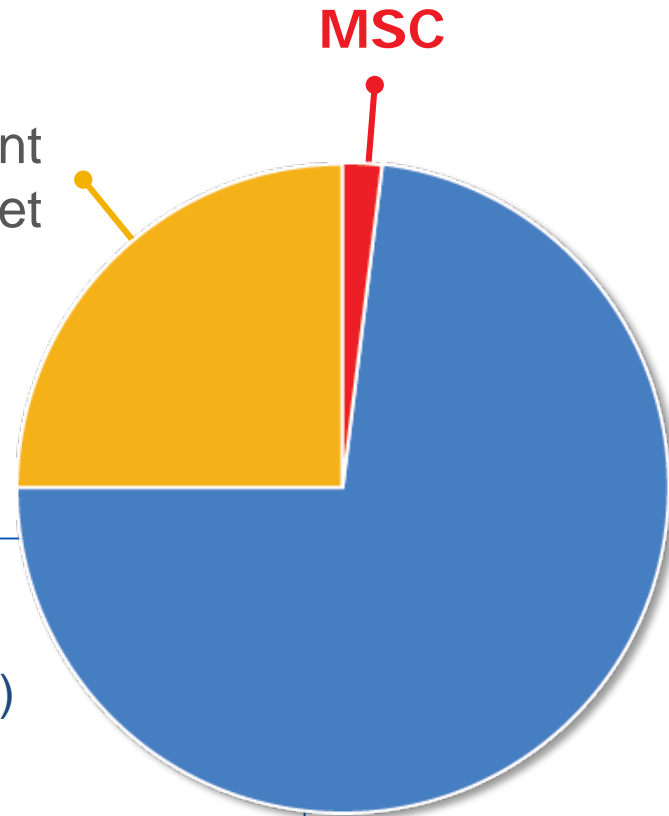
This presentation contains forward-looking statements within the meaning of U.S. securities laws, including guidance about expected future results, expectations regarding our ability to gain market share, expected benefits from our investment and strategic plans, and expected future margins. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements; are based on our current expectations; and we assume no obligation to update them. Factors that could cause actual results to differ materially from those in forward-looking statements include: general economic conditions in the markets in which we operate, worldwide economic, social, political and regulatory conditions, including conditions that may result from legislative, regulatory and policy changes, changing customer and product mixes, competition, including the adoption by competitors of aggressive pricing strategies and sales methods, industry consolidation, volatility in commodity and energy prices, credit risk of our customers, risk of cancellation or rescheduling of orders, work stoppages or other business interruptions (including those due to extreme weather conditions) at transportation centers or shipping ports, financial restrictions on outstanding borrowings, dependence on our information systems and the risk of business disruptions arising from changes to our information systems, disruptions due to computer system or network failures, computer viruses, physical or electronics break-ins and cyber-attacks, the loss of key suppliers or supply chain disruptions, problems with successfully integrating acquired operations, opening or expanding our customer fulfillment centers exposes us to risks of delays, the risk of war, terrorism and similar hostilities, dependence on key personnel, goodwill and intangible assets recorded as a result of our acquisitions could be impaired, and the outcome of potential government or regulatory proceedings or future litigation relating to pending or future claims, inquiries or audits.

Information about these risks is noted in the earnings press release and in the Risk Factors and MD&A sections of our latest annual and quarterly reports filed with the SEC, as well as in our other SEC filings. Investors are cautioned not to place undue reliance on these forward-looking statements.

Throughout this presentation we will reference both GAAP and adjusted financial results, which are non-GAAP financial measures. Please refer to the reconciliation tables at the end of this presentation for a reconciliation of the adjusted financial measures to the most directly comparable GAAP measures.

# INDUSTRY OVERVIEW

The top 50 companies represent less than 30% of the market



- \$525B MRO Market in the US\*  
(\$160B directly addressable by MSC\*\*)
- Highly Fragmented
- 145,000 Distributors in the US\*

\*Source: MDM Analytics (figures are approximate)

\*\*Source: Calculation performed by MSC (calculation is approximate)

# COMPANY OVERVIEW

**MSC is a value added distributor of services, solutions & products that helps customers reduce their MRO supply chain costs**

Founded in 1941 by Sid Jacobson

> 6,500 associates

> 90 branches and 5 major distribution centers

> 3,000 suppliers

> 1.5 Million SKUs, many with 99% fill rates

**\$2.9 Billion**  
Revenue

**10%**  
20-Year Sales  
CAGR

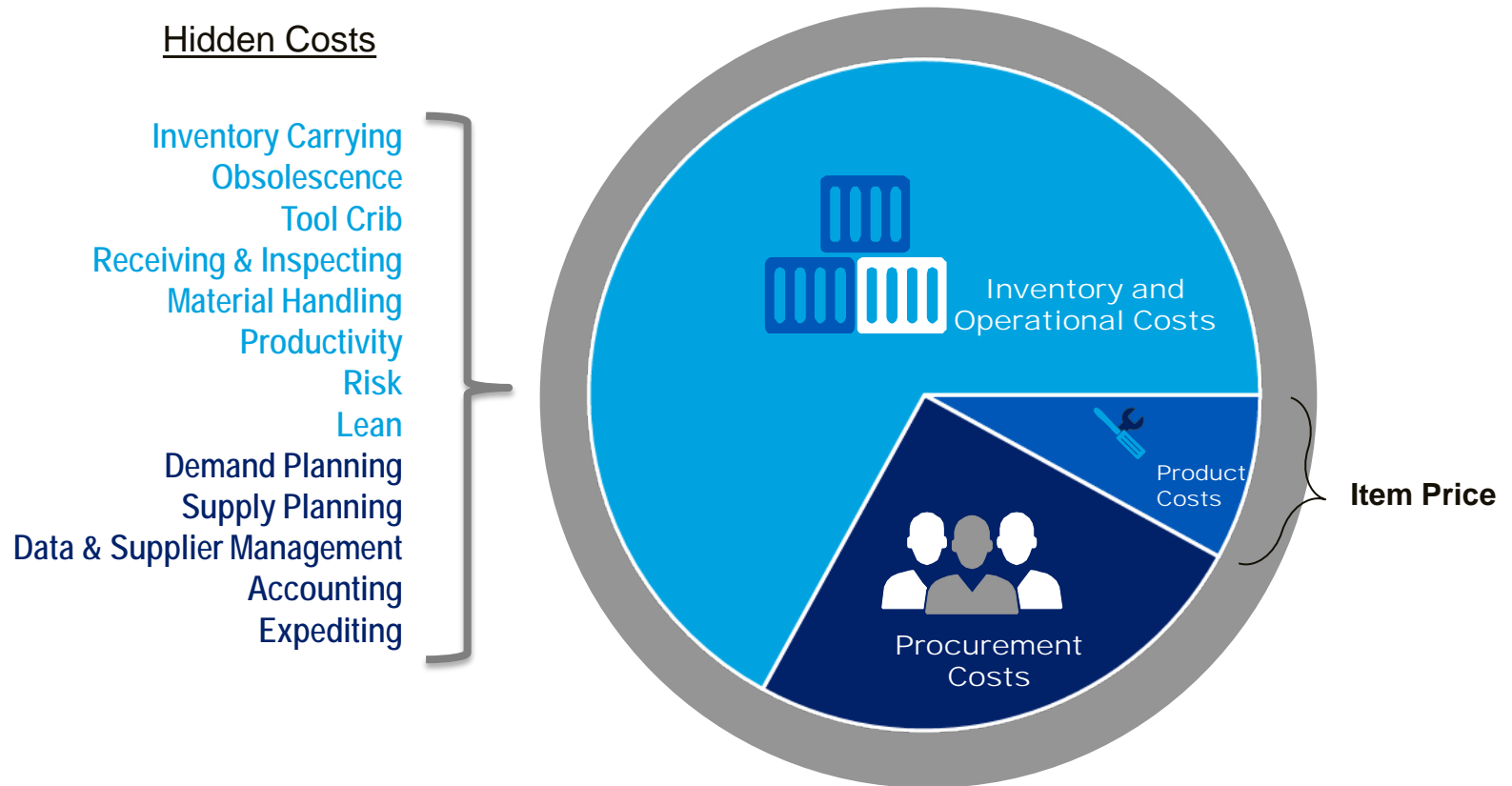
**13%**  
Operating Margin

**11%**  
20-Year EPS CAGR



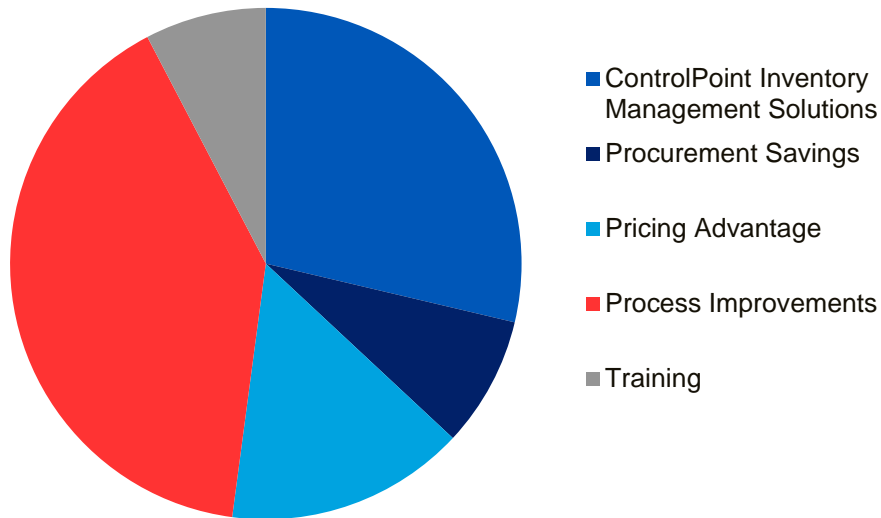
**MSC**

# BY FOCUSING ON PRODUCT COSTS TO REDUCE OUR TCO – WE'RE MISSING THE BIGGER OPPORTUNITY



# MAKING CUSTOMERS BETTER

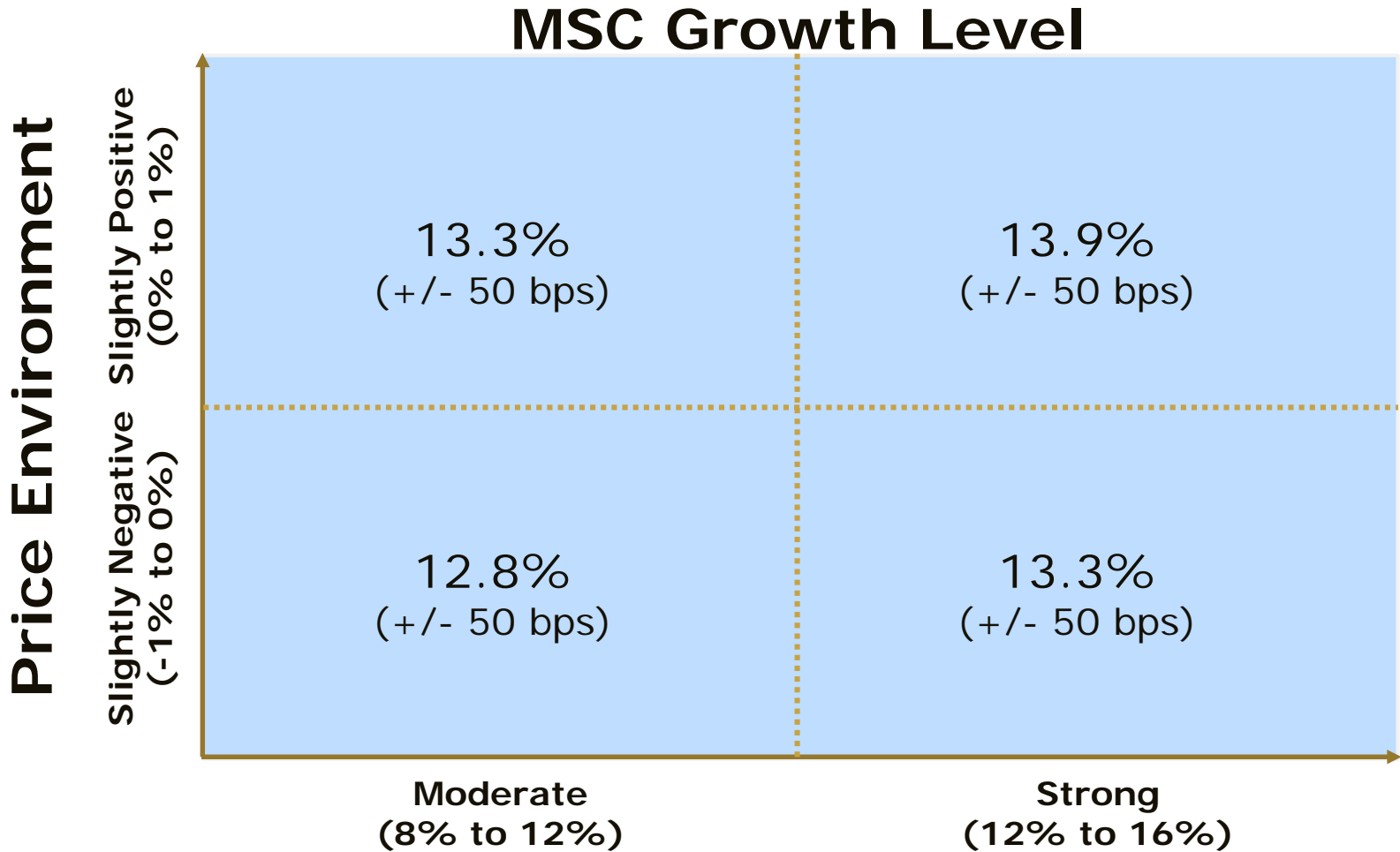
## Cost Savings Documentation



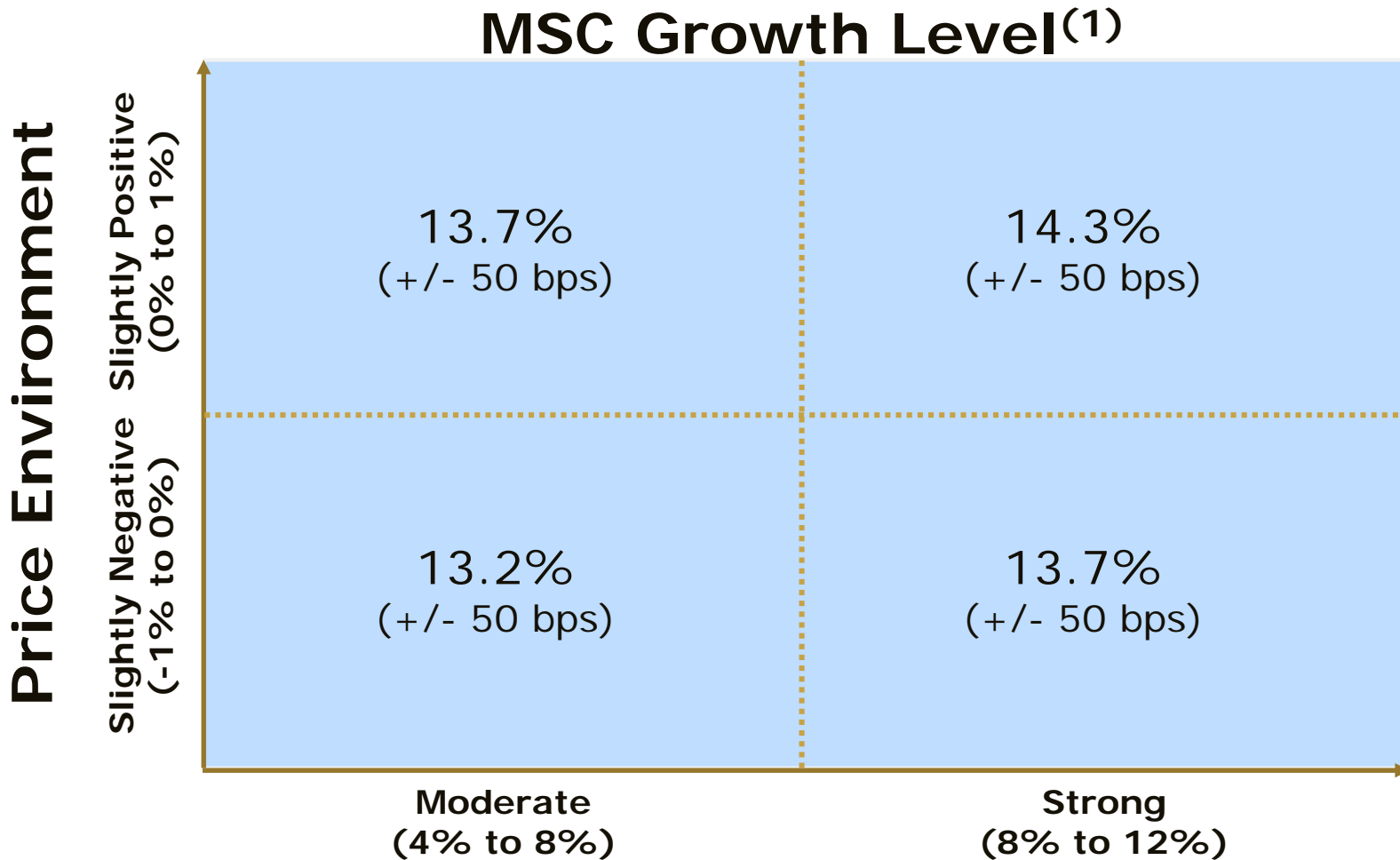
**Actual customer achieved \$26k of savings on \$152k of spend over 2 months**

**Total program savings of > \$400m for MSC customers in fiscal 2017!**

# FY 2018 ANNUAL OPERATING MARGIN FRAMEWORK INCLUDING DECO RESULTS



# FY 2018 ANNUAL OPERATING MARGIN FRAMEWORK EXCLUDING DECO RESULTS

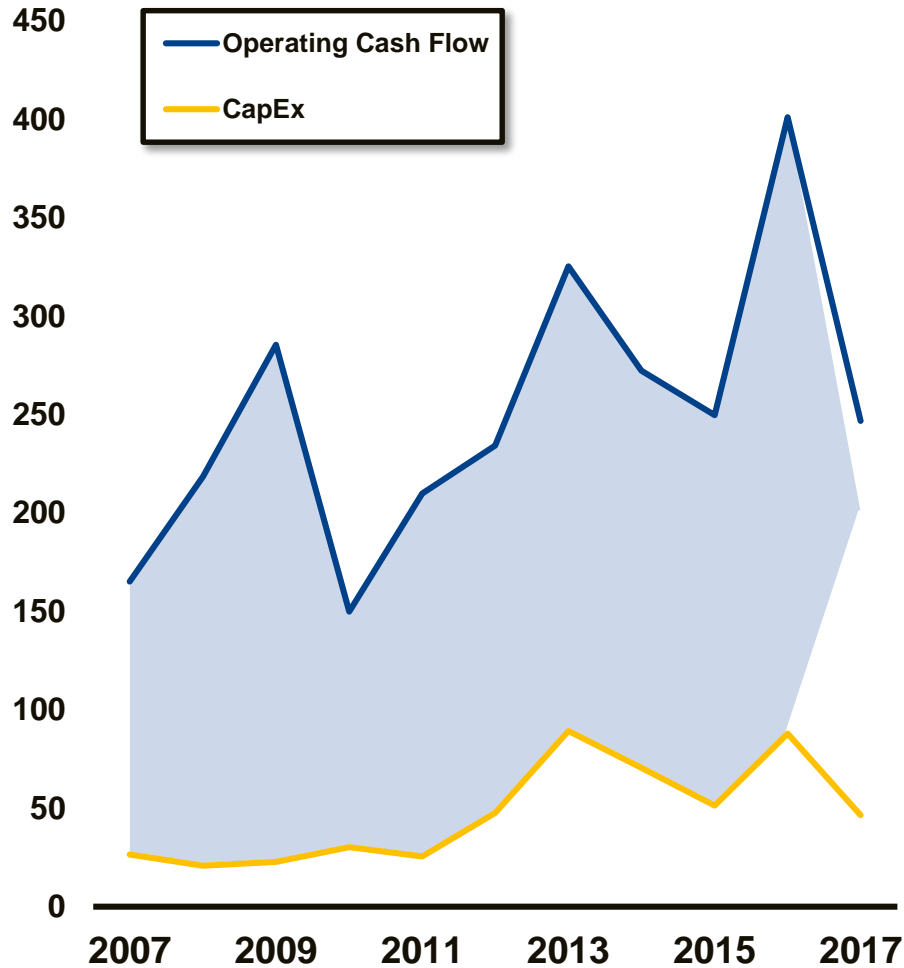


(1) Excludes DECO results.

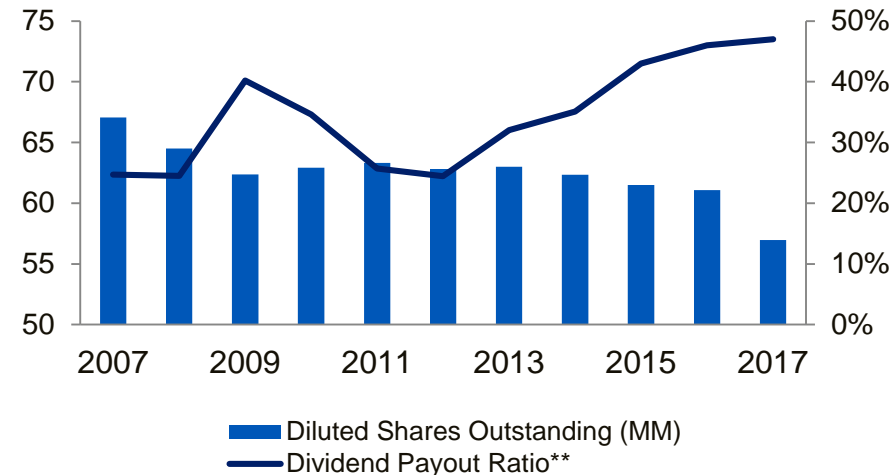
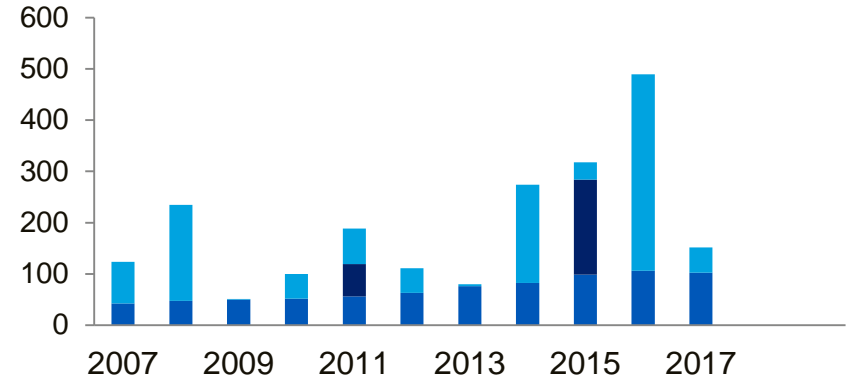


# STRONG OPERATING CASH FLOW GENERATION

## Operating Cash Flow (\$M)



## Return to Shareholders (\$M)



\*\* Dividend Payout Ratio calculated as common dividends per share / diluted EPS.

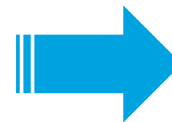


# APPENDIX

# SKU CONSOLIDATION

## ITEM SPECIFIC RATIONALIZATION EXAMPLES

	84412394	63556468
Description	22OZ SPRAY NINE EA PURPOSE CLEANER QIA	MANDRON PREMIUM CITRUS DEGREASER 22OZ 12/CS QIA
Manufacturer	Spray Nine Corp.	AMERICAN INDUSTRIES
MPN	26825	2345
Image		
Pricing	\$ .277 Oz 45,936 Units \$ 12,740.88 Total	\$ 1.32 Oz 792 Units \$ 1,048.32 Total



Consolidate to a single  
Item and standardize in all  
locations. Leverage MSC  
costs on commodity  
products

	02451045
Description	32 OZ CLEANER/DEGRSR ALL PURPOSE HYDROFORCE
Manufacturer	CRC
MPN	14407
Image	
Pricing	\$ .20 Oz 46,728 Units <b>\$4,443.60</b> <b>Savings</b>