

Fiscal 2019 Q1 Earnings Presentation

January 9, 2019

Risks and Non-GAAP Disclosures

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, including from our recent acquisitions, 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; changing customer and product mixes; competition, including the adoption by competitors of aggressive pricing strategies and sales methods; industry consolidation and other changes in the industrial distribution sector; volatility in commodity and energy prices; the outcome of government or regulatory proceedings or future litigation; credit risk of our customers; risk of customer cancellation or rescheduling of orders; work stoppages or other business interruptions (including those due to extreme weather conditions) at transportation centers, shipping ports, our headquarters or our customer fulfillment centers; dependence on our information systems and the risks of business disruptions arising from changes to our information systems and disruptions due to catastrophic events, power outages, natural disasters, computer system or network failures, computer viruses, physical or electronic break-ins and cyber-attacks; recent U.S. tax legislation and increased volatility in the effective tax rate; retention of key personnel; retention of qualified sales and customer service personnel and metalworking specialists; risk of loss of key suppliers, key brands or supply chain disruptions; risks associated with changes to trade policies, including the impact from significant restrictions or tariffs; risks associated with opening or expanding our customer fulfillment centers; litigation risk due to the nature of our business; risks associated with the integration of acquired businesses or other strategic transactions; financial restrictions on outstanding borrowings; failure to comply with applicable environmental, health and safety laws and regulations; goodwill and intangible assets recorded as a result of our acquisitions could be impaired; risks associated with the volatility of our common stock; and our principal shareholders exercise significant control over us.

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.

FY 2019 Q1 Results

(dollars in millions, except per share data and as otherwise noted)

	FY 2019 Q1 Reported Results	FY 2019 Q1 Total Company Guidance	FY 2019 Q1 Excluding Acquisition ⁽¹⁾⁽²⁾	FY 2019 Q1 Guidance Excluding Acquisition ⁽²⁾	FY 2018 Q1 Reported Results
Net Sales	\$831.6	\$828.6	\$813.9	\$810.8	\$768.6
Gross Margin	43.0%	43.0%	43.3%	43.3%	43.6%
Operating Expenses	\$255.0	\$254.3	\$250.1	\$249.1	\$235.8
Effective Tax Rate ⁽³⁾	25.1%	25.2%	25.1%	25.2%	37.8%
Diluted EPS	\$1.33	\$1.31	\$1.33	\$1.32	\$1.05

(1) Non-GAAP reconciliations provided on slides 7–13.

(2) Excludes impact of AIS acquisition, which closed on April 30, 2018.

(3) FY 2019 Q1 effective tax rate reflects a reduction of the federal tax rate resulting from the TCJA.

FY 2019 Q2 Guidance

(dollars in millions, except per share data and as otherwise noted)

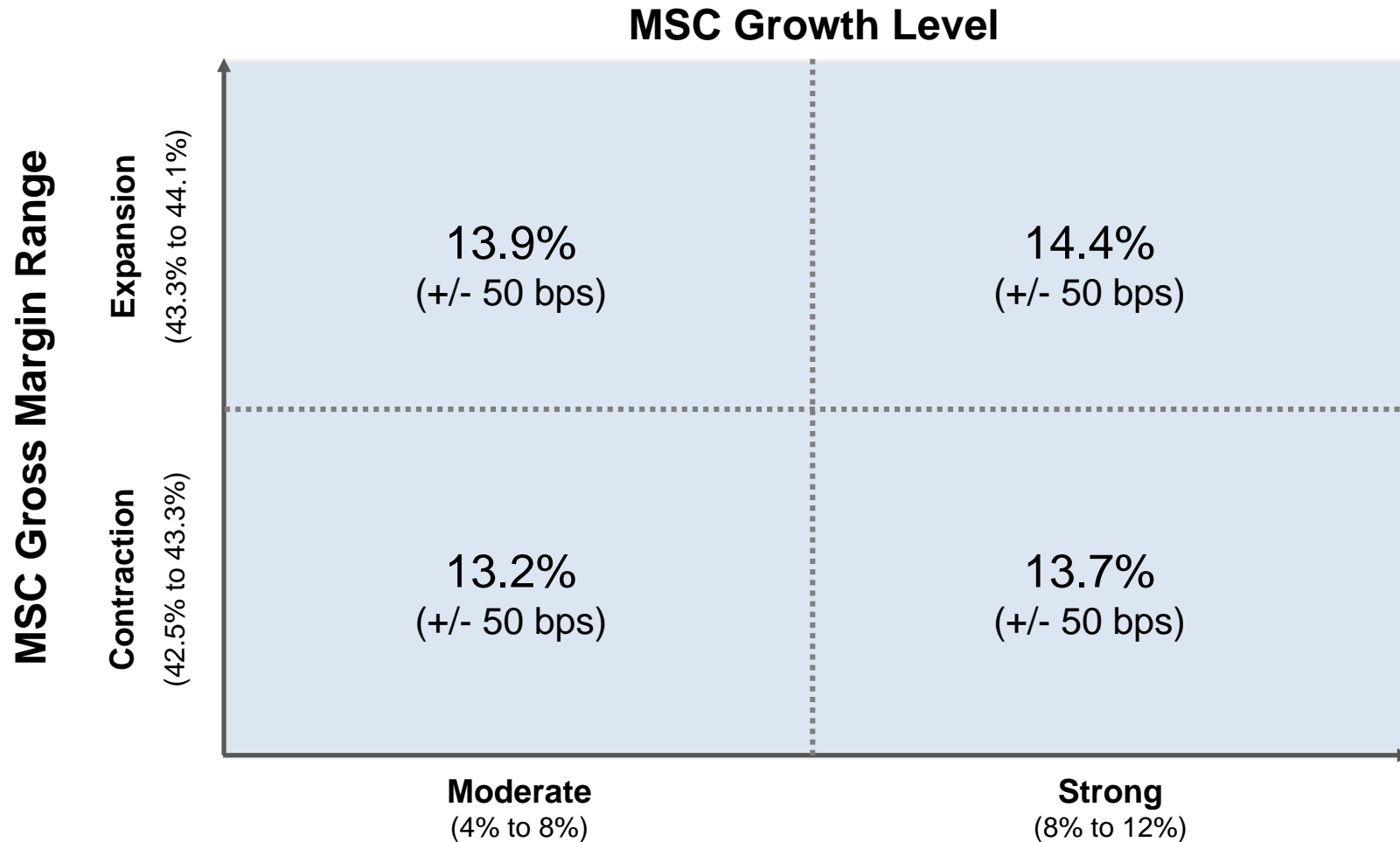
	FY 2019 Q2 Total Company Guidance	FY 2019 Q2 Guidance Excluding Acquisition ⁽¹⁾⁽²⁾	FY 2018 Q2 Reported Results
Net Sales	\$817 – \$833	\$798 – \$814	\$769.0
Gross Margin	42.6% – 43.0%	42.8% – 43.2%	43.9%
Effective Tax Rate ⁽³⁾	25.1%	25.1%	(23.9%)
Diluted EPS ⁽³⁾	\$1.22 – \$1.28	\$1.22 – \$1.28	\$2.06

(1) Non-GAAP reconciliations provided on slides 7 –13.

(2) Excludes impact of AIS acquisition, which closed on April 30, 2018.

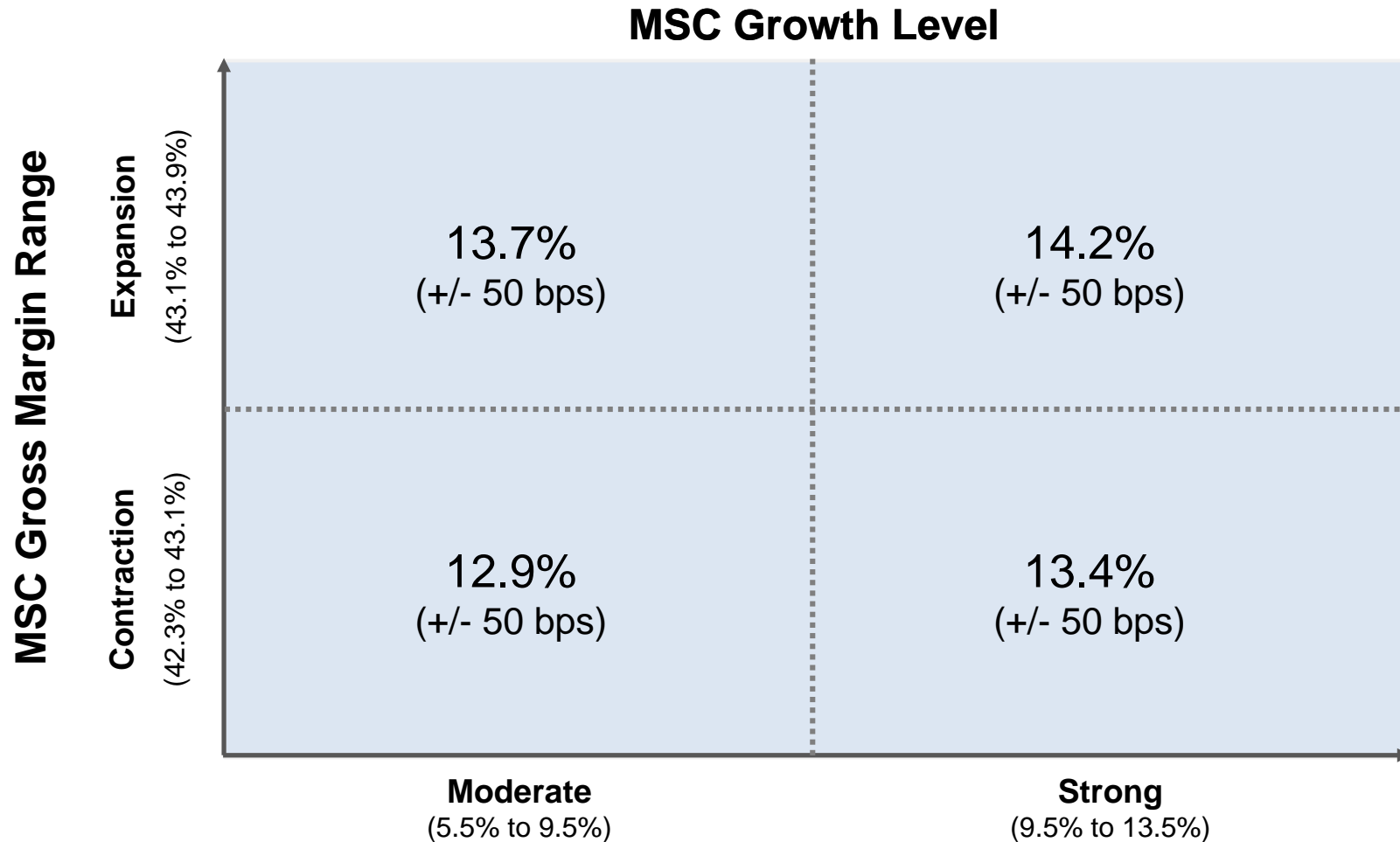
(3) FY 2018 Q2 effective tax rate included a one-time tax benefit of \$0.72 per share relating to the revaluation of the net deferred tax liabilities. In addition, there was an additional \$0.30 impact related to applying the lower YTD tax rate in Q2 of FY18, the period of adoption.

FY 2019 Annual Operating Margin Framework Base Business Excluding Acquisitions⁽¹⁾



(1) Excludes the impact of the AIS acquisition, which closed April 30, 2018.

FY 2019 Annual Operating Margin Framework Including Acquisitions⁽¹⁾



(1) Includes the impact of the acquisition of AIS, which closed April 30, 2018.

Reconciliations

Non-GAAP Financial Measures

- **Free Cash Flow (“FCF”)**

Our measure of “FCF” meets the definition of a non-GAAP financial measure. FCF is used in addition to and in conjunction with results presented in accordance with GAAP and FCF should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review our financial statements and publicly-filed reports in their entirety and to not rely on any single financial measure. FCF, which we reconcile to “Net cash provided by operating activities,” is cash flow from operations reduced by “Expenditures for property, plant and equipment”. We believe that FCF, although similar to cash flow from operations, is a useful additional measure since capital expenditures are a necessary component of ongoing operations. Management also views FCF, as a measure of the Company’s ability to reduce debt, add to cash balances, pay dividends, and repurchase stock. FCF has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, FCF does not incorporate payments made on capital lease obligations or required debt service payments. In addition, different companies define FCF differently. Therefore, we believe it is important to view FCF as a complement to our entire consolidated statements of cash flows. A reconciliation of cash provided by operating activities to FCF for the thirteen week periods ended December 1, 2018 and December 2, 2017 is shown below.

- **Results excluding All Integrated Solutions (AIS), “Acquisition”**

To supplement MSC’s unaudited selected financial data presented consistent with Generally Accepted Accounting Principles (“GAAP”), the Company discloses certain non-GAAP financial measures, including Non-GAAP net sales, non-GAAP gross profit, non-GAAP income from operations, non-GAAP (benefit) provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude the results of our acquisition of All Integrated Solutions (“AIS”) on April 30, 2018 (the “Acquisition”).

These non-GAAP measures are not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. We believe that these non-GAAP measures have limitations in that they do not reflect MSC’s results of operations as determined in accordance with GAAP, and that these measures should only be used to evaluate MSC’s results of operations in conjunction with the corresponding GAAP measures. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. We compensate for the limitations of non-GAAP financial measures by relying upon GAAP results to gain a complete picture of the Company’s performance.

In calculating non-GAAP financial measures, we exclude the results of the Acquisition to facilitate a review of the Company’s operating performance on a period-to-period basis, for comparison with forecasts and strategic plans, and for benchmarking performance externally against competitors. We believe that investors benefit from seeing results “through the eyes” of management in addition to seeing GAAP results. We believe that these non-GAAP measures, when read in conjunction with the Company’s GAAP financials, provide useful information to investors by offering:

- the ability to make more meaningful period-to-period comparisons of the Company’s on-going operating results;
- the ability to better identify trends in the Company’s underlying business and perform related trend analyses;
- a better understanding of how management plans and measures the Company’s underlying business; and
- an easier way to compare the Company’s operating results against analyst financial models and operating results of competitors that supplement their GAAP results with non-GAAP financial measures

Reconciliations – Free Cash Flow

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
 Reconciliation of GAAP and Non-GAAP Information
 Thirteen Weeks Ended December 1, 2018 and December 2, 2017
 (dollars in thousands)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities		Expenditures for property, plant and equipment		Free cash flow	
Thirteen Weeks Ended		Thirteen Weeks Ended		Thirteen Weeks Ended	
December 1, 2018	December 2, 2017	December 1, 2018	December 2, 2017	December 1, 2018	December 2, 2017
\$ 76,866	\$ 81,979	\$ (10,053)	(9,028)	\$ 66,813	\$ 72,951

Reconciliations – Fiscal 2019 Q1 (Acquisition impact)

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES

Reconciliation of GAAP and Non-GAAP Information

Thirteen Weeks Ended December 1, 2018

(dollars in thousands, except per share data)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Net Sales	Acquisition	Net Sales, excluding Acquisition	Average Daily Sales Growth	Average Daily Sales Growth, excluding Acquisition
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
December 1, 2018	December 1, 2018	December 1, 2018	December 1, 2018	December 1, 2018
\$ 831,597	\$ 17,658	\$ 813,939	8.2 %	5.9 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Gross Profit	Acquisition	Gross Profit, excluding Acquisition	Gross Margin	Gross Margin, excluding Acquisition
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
December 1, 2018	December 1, 2018	December 1, 2018	December 1, 2018	December 1, 2018
\$ 357,985	\$ 5,448	\$ 352,537	43.0 %	43.3 %

Reconciliations – Fiscal 2019 Q1 (Acquisition impact) (cont'd)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Expenses	Acquisition	Operating Expenses, excluding Acquisition	Operating Expenses as a percentage of Net Sales	Operating Expenses as a percentage of Net Sales, excluding Acquisition
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
December 1, 2018	December 1, 2018	December 1, 2018	December 1, 2018	December 1, 2018
\$ 254,985	\$ 4,857	\$ 250,128	30.7 %	30.7 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Income	Acquisition	Operating Income, excluding Acquisition	Operating Margin	Operating Margin, excluding Acquisition
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
December 1, 2018	December 1, 2018	December 1, 2018	December 1, 2018	December 1, 2018
\$ 103,000	\$ 592	\$ 102,408	12.4 %	12.6 %

Reconciliations – Fiscal 2019 Q1 (Acquisition impact) (cont'd)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Provision for income taxes	Acquisition	Provision for income taxes, excluding Acquisition
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
December 1, 2018	December 1, 2018	December 1, 2018
\$ 24,876	\$ (69)	\$ 24,945

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Net Income	Acquisition	Net Income, excluding Acquisition
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
December 1, 2018	December 1, 2018	December 1, 2018
\$ 74,232	\$ (206)	\$ 74,438

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Diluted Earnings Per Share	Acquisition	Diluted Earnings Per Share, excluding Acquisition
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
December 1, 2018	December 1, 2018	December 1, 2018
\$ 1.33	\$ -	\$ 1.33

Reconciliations – Fiscal 2019 Q2 (Guidance Acquisition impact)

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES

Reconciliation of GAAP and Non-GAAP Information

Guidance for Thirteen Weeks Ended March 2, 2019*

(dollars in millions, except per share data)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Net Sales	Acquisition	Net Sales, excluding Acquisition	Average Daily Sales Growth	Average Daily Sales Growth, excluding Acquisition
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019
\$ 824.8	\$ 18.5	\$ 806.3	9.0 %	6.5 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Gross Profit	Acquisition	Gross Profit, excluding Acquisition	Gross Margin	Gross Margin, excluding Acquisition
Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended	Thirteen Weeks Ended
March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019
\$ 352.7	\$ 5.9	\$ 346.8	42.8 %	43.0 %

* The data in the above tables represent the midpoint of management's guidance; see note regarding forward-looking statements

Reconciliations – Fiscal 2019 Q2 (Guidance Acquisition impact) (cont'd)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Expenses Thirteen Weeks Ended March 2, 2019	Acquisition Thirteen Weeks Ended March 2, 2019	Operating Expenses, excluding Acquisition Thirteen Weeks Ended March 2, 2019	Operating Expenses as a percentage of Net Sales Thirteen Weeks Ended March 2, 2019	Operating Expenses as a percentage of Net Sales, excluding Acquisition Thirteen Weeks Ended March 2, 2019
\$ 256.1	\$ 5.1	\$ 251.0	31.1 %	31.1 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Income Thirteen Weeks Ended March 2, 2019	Acquisition Thirteen Weeks Ended March 2, 2019	Operating Income, excluding Acquisition Thirteen Weeks Ended March 2, 2019	Operating Margin Thirteen Weeks Ended March 2, 2019	Operating Margin, excluding Acquisition Thirteen Weeks Ended March 2, 2019
\$ 96.5	\$ 0.8	\$ 95.7	11.7 %	11.9 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Net Income Thirteen Weeks Ended March 2, 2019	Acquisition Thirteen Weeks Ended March 2, 2019	Net Income, excluding Acquisition Thirteen Weeks Ended March 2, 2019
69.4	\$ (0.1)	\$ 69.5

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Diluted Earnings Per Share Thirteen Weeks Ended March 2, 2019	Acquisition Thirteen Weeks Ended March 2, 2019	Diluted Earnings Per Share, excluding Acquisition Thirteen Weeks Ended March 2, 2019
\$ 1.25	\$ -	\$ 1.25