

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), collectively “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

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 Thirteen Weeks Ended		Expenditures for property, plant and equipment Thirteen Weeks Ended		Free cash flow 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

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 Thirteen Weeks Ended December 1, 2018	Acquisition Thirteen Weeks Ended December 1, 2018	Net Sales, excluding Acquisition Thirteen Weeks Ended December 1, 2018	Average Daily Sales Growth Thirteen Weeks Ended December 1, 2018	Average Daily Sales Growth, excluding Acquisition Thirteen Weeks Ended 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 Thirteen Weeks Ended December 1, 2018	Acquisition Thirteen Weeks Ended December 1, 2018	Gross Profit, excluding Acquisition Thirteen Weeks Ended December 1, 2018	Gross Margin Thirteen Weeks Ended December 1, 2018	Gross Margin, excluding Acquisition Thirteen Weeks Ended December 1, 2018
\$ 357,985	\$ 5,448	\$ 352,537	43.0 %	43.3 %

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

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information (cont.)
Thirteen Weeks Ended December 1, 2018
(dollars in thousands, except per share data)

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Provision for income taxes	Acquisition	Provision for income taxes, excluding Acquisition
Thirteen Weeks Ended December 1, 2018	Thirteen Weeks Ended December 1, 2018	Thirteen Weeks Ended 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 December 1, 2018	Thirteen Weeks Ended December 1, 2018	Thirteen Weeks Ended 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 December 1, 2018	Thirteen Weeks Ended December 1, 2018	Thirteen Weeks Ended December 1, 2018
\$ 1.33	\$ -	\$ 1.33

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 Thirteen Weeks Ended March 2, 2019	Acquisition Thirteen Weeks Ended March 2, 2019	Net Sales, excluding Acquisition Thirteen Weeks Ended March 2, 2019	Average Daily Sales Growth Thirteen Weeks Ended March 2, 2019	Average Daily Sales Growth, excluding Acquisition Thirteen Weeks Ended 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 Thirteen Weeks Ended March 2, 2019	Acquisition Thirteen Weeks Ended March 2, 2019	Gross Profit, excluding Acquisition Thirteen Weeks Ended March 2, 2019	Gross Margin Thirteen Weeks Ended March 2, 2019	Gross Margin, excluding Acquisition Thirteen Weeks Ended March 2, 2019
\$ 352.7	\$ 5.9	\$ 346.8	42.8 %	43.0 %

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

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