

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 and twenty-six-week periods ended March 2, 2019 and March 3, 2018 is shown below.

- ***Results excluding All Integrated Solutions (AIS) and MSC Mexico***

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”) and the operations of two newly-formed entities, MSC Industrial Supply, S. de R.L. de C.V. and MSC Import Export LLC (which completed the acquisition of certain assets in February 2019), including the non-recurring acquisition and integrations costs (collectively, referred to as “Acquisitions”).

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 Acquisitions 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 and Twenty-Six Weeks Ended March 2, 2019 and March 3, 2018

(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	
March 2, 2019	March 3, 2018	March 2, 2019	March 3, 2018	March 2, 2019	March 3, 2018
\$ 21,712	\$ 36,208	\$ (13,103)	(8,233)	\$ 8,609	\$ 27,975

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities Twenty-Six Weeks Ended		Expenditures for property, plant and equipment Twenty-Six Weeks Ended		Free cash flow Twenty-Six Weeks Ended	
March 2, 2019	March 3, 2018	March 2, 2019	March 3, 2018	March 2, 2019	March 3, 2018
\$ 98,578	\$ 118,187	\$ (23,156)	(17,261)	\$ 75,422	\$ 100,926

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES

Reconciliation of GAAP and Non-GAAP Information

Thirteen and Twenty-Six Weeks Ended March 2, 2019

(dollars in thousands, except per share data)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Net Sales		Acquisitions		Net Sales, excluding Acquisitions		Average Daily Sales Growth		Average Daily Sales Growth, excluding Acquisitions	
Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019
\$ 823,004	\$ 1,654,601	\$ 19,943	\$ 37,601	\$ 803,061	\$ 1,617,000	8.8 %	8.5 %	6.1 %	6.0 %

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Gross Profit		Acquisitions		Gross Profit, excluding Acquisitions		Gross Margin		Gross Margin, excluding Acquisitions	
Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019
\$ 351,814	\$ 709,799	\$ 5,960	\$ 11,408	\$ 345,854	\$ 698,391	42.7 %	42.9 %	43.1 %	43.2 %

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Operating Expenses		Acquisitions		Operating Expenses, excluding Acquisitions		Operating Expenses as a percentage of Net Sales		Operating Expenses as a percentage of Net Sales, excluding Acquisitions	
Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019	Thirteen Weeks Ended March 2, 2019	Twenty-Six Weeks Ended March 2, 2019
\$ 255,833	\$ 510,818	\$ 5,654	\$ 10,511	\$ 250,179	\$ 500,307	31.1 %	30.9 %	31.2 %	30.9 %

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information (cont.)
Thirteen and Twenty-Six Weeks Ended March 2, 2019
(dollars in thousands, except per share data)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure		GAAP Measure		Non-GAAP Measure	
Operating Income		Acquisitions		Operating Income, excluding Acquisitions		Operating Margin		Operating Margin, excluding Acquisitions	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019
\$ 95,981	\$ 198,981	\$ 306	\$ 897	\$ 95,675	\$ 198,084	11.7 %	12.0 %	11.9 %	12.3 %

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Provision (benefit) for income taxes		Acquisitions		Provision (benefit) for income taxes, excluding Acquisitions	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019
\$ 22,939	\$ 47,815	\$ (137)	\$ (207)	\$ 23,076	\$ 48,022

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net Income (loss)		Acquisitions		Net Income (loss), excluding Acquisitions	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019
\$ 68,430	\$ 142,662	\$ (416)	\$ (623)	\$ 68,846	\$ 143,285

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Diluted Earnings (loss) Per Share		Acquisitions		Diluted Earnings (loss) Per Share, excluding Acquisitions	
Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019	March 2, 2019
\$ 1.24	\$ 2.56	\$ -	\$ (0.01)	\$ 1.24	\$ 2.57

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information
Guidance for Thirteen Weeks Ended June 1, 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 June 1, 2019	Acquisitions Thirteen Weeks Ended June 1, 2019	Net Sales, excluding Acquisitions Thirteen Weeks Ended June 1, 2019	Average Daily Sales Growth Thirteen Weeks Ended June 1, 2019	Average Daily Sales Growth, excluding Acquisitions Thirteen Weeks Ended June 1, 2019
\$ 882.6	\$ 28.2	\$ 854.4	6.5 %	4.0 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Gross Profit Thirteen Weeks Ended June 1, 2019	Acquisitions Thirteen Weeks Ended June 1, 2019	Gross Profit, excluding Acquisitions Thirteen Weeks Ended June 1, 2019	Gross Margin Thirteen Weeks Ended June 1, 2019	Gross Margin, excluding Acquisitions Thirteen Weeks Ended June 1, 2019
\$ 377.2	\$ 7.6	\$ 369.6	42.7 %	43.3 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Expenses Thirteen Weeks Ended June 1, 2019	Acquisitions Thirteen Weeks Ended June 1, 2019	Operating Expenses, excluding Acquisitions Thirteen Weeks Ended June 1, 2019	Operating Expenses as a percentage of Net Sales Thirteen Weeks Ended June 1, 2019	Operating Expenses as a percentage of Net Sales, excluding Acquisitions Thirteen Weeks Ended June 1, 2019
\$ 262.3	\$ 6.9	\$ 255.4	29.7 %	29.9 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure	GAAP Measure	Non-GAAP Measure
Operating Income Thirteen Weeks Ended June 1, 2019	Acquisitions Thirteen Weeks Ended June 1, 2019	Operating Income, excluding Acquisitions Thirteen Weeks Ended June 1, 2019	Operating Margin Thirteen Weeks Ended June 1, 2019	Operating Margin, excluding Acquisitions Thirteen Weeks Ended June 1, 2019
\$ 114.9	\$ 0.7	\$ 114.2	13.0 %	13.4 %

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Net Income (loss) Thirteen Weeks Ended June 1, 2019	Acquisitions Thirteen Weeks Ended June 1, 2019	Net Income (loss), excluding Acquisitions Thirteen Weeks Ended June 1, 2019
\$ 82.8	\$ (0.1)	\$ 82.9

GAAP Measure	Items Affecting Comparability	Non-GAAP Measure
Diluted Earnings Per Share Thirteen Weeks Ended June 1, 2019	Acquisitions Thirteen Weeks Ended June 1, 2019	Diluted Earnings Per Share, excluding Acquisitions Thirteen Weeks Ended June 1, 2019
\$ 1.49	\$ -	\$ 1.49

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