

## 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 Generally Accepted Accounting Principles (“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 and fiscal years ended August 31, 2019 and September 1, 2018, respectively is shown below.

- **Results excluding Severance and Separation Costs and Acquisitions**

To supplement MSC’s unaudited selected financial data presented consistent with GAAP, the Company discloses certain non-GAAP financial measures, including Non-GAAP net sales, non-GAAP gross profit, non-GAAP operating expenses, 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 (i) severance and separation costs and (ii) the results of our acquisition of All Integrated Solutions and the operations of two newly-formed entities, MSC IndustrialSupply, 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 severance and separation costs and the results of the Acquisitions, and the related tax effects, 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

Quarters and Years Ended August 31, 2019 and September 1, 2018

(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	
August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
\$ 141,226	\$ 109,421	\$ (15,817)	\$ (14,125)	\$ 125,409	\$ 95,296

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities		Expenditures for property, plant and equipment		Free cash flow	
Fiscal Year Ended		Fiscal Year Ended		Fiscal Year Ended	
August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018	August 31, 2019	September 1, 2018
\$ 328,426	\$ 339,658	\$ (51,773)	\$ (44,919)	\$ 276,653	\$ 294,739

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES  
Reconciliation of GAAP and Non-GAAP Information  
Thirteen Weeks and Year Ended August 31, 2019  
(dollars in thousands, except per share data)

	GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
	Total MSC		Acquisitions		MSC excluding Acquisitions	
	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended
	August 31, 2019	August 31, 2019	August 31, 2019	August 31, 2019	August 31, 2019	August 31, 2019
Net Sales	\$ 842,670	\$ 3,363,817	\$ 27,168	\$ 93,010	\$ 815,502	\$ 3,270,807
ADS Growth %	2.1%	5.8%			1.0%	3.7%
Cost of Goods Sold	489,081	1,931,774	19,374	66,841	469,707	1,864,933
Gross Profit	353,589	1,432,043	7,794	26,169	345,795	1,405,874
Gross Margin	42.0%	42.6%	28.7%	28.1%	42.4%	43.0%
Operating Expense	263,075	1,032,047	6,991	24,512	256,084	1,007,535
Operating Exp as % of Sales	31.2%	30.7%	25.7%	26.4%	31.4%	30.8%
Income from Operations	90,514	399,996	803	1,657	89,711	398,339
Operating Margin	10.7%	11.9%	3.0%	1.8%	11.0%	12.2%
Total Other Expense	(3,881)	(16,867)	(1,140)	(3,761)	(2,741)	(13,106)
Income before provision for income taxes	86,633	383,129	(337)	(2,104)	86,970	385,233
Provision for income taxes	20,012	94,332	(73)	(539)	20,085	94,871
Net income	66,621	288,797	(264)	(1,565)	66,885	290,362
Net income (loss) attributable to noncontrolling interest	13	(68)	13	(68)	-	-
Net income attributable to MSC Industrial	\$ 66,608	\$ 288,865	\$ (277)	\$ (1,497)	\$ 66,885	\$ 290,362
Net income per common share:						
Diluted	\$ 1.20	\$ 5.20	\$ (0.01)	\$ (0.03)	\$ 1.21	\$ 5.23

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES  
Reconciliation of GAAP and Non-GAAP Information  
Thirteen Weeks and Year Ended August 31, 2019  
(dollars in thousands, except per share data)

	GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
	Total MSC		Severance and Separation Costs		MSC excluding Severance and Separation Costs	
	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended
	August 31, 2019	August 31, 2019	August 31, 2019	August 31, 2019	August 31, 2019	August 31, 2019
Net Sales	\$ 842,670	\$ 3,363,817	\$ -	\$ -	\$ 842,670	\$ 3,363,817
ADS Growth %	2.1%	5.8%	-	-	2.1%	5.8%
Cost of Goods Sold	489,081	1,931,774	-	-	489,081	1,931,774
Gross Profit	353,589	1,432,043	-	-	353,589	1,432,043
Gross Margin	42.0%	42.6%	-	-	42.0%	42.6%
Operating Expense	263,075	1,032,047	6,725	6,725	256,350	1,025,322
Operating Exp as % of Sales	31.2%	30.7%	0.8%	0.2%	30.4%	30.5%
Income from Operations	90,514	399,996	(6,725)	(6,725)	97,239	406,721
Operating Margin	10.7%	11.9%	-0.8%	-0.2%	11.5%	12.1%
Total Other Expense	(3,881)	(16,867)	-	-	(3,881)	(16,867)
Income before provision for income taxes	86,633	383,129	(6,725)	(6,725)	93,358	389,854
Provision for income taxes	20,012	94,332	1,554	1,554	21,566	95,886
Net income	66,621	288,797	(5,171)	(5,171)	71,792	293,968
Net income (loss) attributable to noncontrolling interest	13	(68)	-	-	13	(68)
Net income attributable to MSC Industrial	\$ 66,608	\$ 288,865	\$ (5,171)	\$ (5,171)	\$ 71,779	\$ 294,036
Net income per common share:						
Diluted	\$ 1.20	\$ 5.20	\$ (0.09)	\$ (0.09)	\$ 1.30	\$ 5.29

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES  
Reconciliation of GAAP and Non-GAAP Information  
Guidance for Thirteen Weeks Ended November 30, 2019\*  
(dollars in thousands, except per share data)

	GAAP Measure	Items Affecting	Non-GAAP Measure
	Total MSC Thirteen Weeks Ended November 30, 2019	Severance and Separation Costs Thirteen Weeks Ended November 30, 2019	MSC excluding Severance and Separation Costs Thirteen Weeks Ended November 30, 2019
Net Sales	\$ 819.1	\$ -	\$ 819.1
ADS Growth %	-1.5%	-	-1.5%
Cost of Goods Sold	475.3	-	475.3
Gross Profit	343.8	-	343.8
Gross Margin	42.0%	-	42.0%
Operating Expense	256.0	2.3	253.7
Operating Exp. as % of Sales	31.3%	0.3%	31.0%
Income from Operations	87.8	(2.3)	90.1
Operating Margin	10.7%	-0.3%	11.0%
Total Other Expense	(3.0)	-	(3.0)
Income before provision for income taxes	84.8	(2.3)	87.1
Provision for income taxes	21.3	(0.6)	21.9
Net income	63.5	(1.7)	65.2
Net income (loss) attributable to noncontrolling interest	-	-	-
Net income attributable to MSC Industrial	\$ 63.5	\$ (1.7)	\$ 65.2
Net income per common share:			
Diluted	\$ 1.15	\$ (0.03)	\$ 1.18

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