

## 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 finance 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 November 30, 2019 and December 1, 2018, respectively is shown below.

- **Results excluding Severance and Separation Costs**

To supplement MSC’s unaudited selected financial data presented consistent with GAAP, the Company discloses certain non-GAAP financial measures, including 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 severance and separation costs.

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 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

Thirteen Weeks Ended November 30, 2019 and December 1, 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	
November 30,2019	December 1, 2018	November 30,2019	December 1, 2018	November 30,2019	December 1, 2018
\$ 85,112	\$ 76,866	\$ (12,689)	(10,053)	\$ 72,423	\$ 66,813

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

	GAAP Measure	Items Affecting Comparability	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	\$ 823,601	\$ -	\$ 823,601
ADS Growth %	-1.0%	-	-1.0%
Cost of Goods Sold	476,405	-	476,405
Gross Profit	347,196	-	347,196
Gross Margin	42.2%	-	42.2%
Operating Expense	256,898	2,571	254,327
Operating Exp as % of Sales	31.2%	0.3%	30.9%
Income from Operations	90,298	(2,571)	92,869
Operating Margin	11.0%	-0.3%	11.3%
Total Other Expense	(3,040)	-	(3,040)
Income before provision for income taxes	87,258	(2,571)	89,829
Provision for income taxes	21,806	(643)	22,449
Net income	65,452	(1,928)	67,380
Net income attributable to noncontrolling interest	34	-	34
Net income attributable to MSC Industrial	\$ 65,418	\$ (1,928)	\$ 67,346
Net income per common share:			
Diluted	\$ 1.18	\$ (0.03)	\$ 1.21