Fiscal Fourth Quarter and Full Year 2020 Earnings Presentation

OCTOBER 27, 2020

Safe Harbor Statement

Statements in this Presentation may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including statements about the impact of COVID-19 on our business operations, results of operations and financial condition, expected future results, expected benefits from our investment and strategic plans and other initiatives, and expected future growth, profitability and ROIC, are forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The inclusion of any statement in this release does not constitute an admission by MSC or any other person that the events or circumstances described in such statement are material. Factors that could cause actual results to differ materially from those in forward-looking statements include the following, many of which are and will be amplified by the COVID-19 pandemic: the effects of the COVID-19 pandemic, including any future resurgences, on our business operations, results of operations and financial condition; 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; our ability to realize the expected benefits from our investment and strategic plans, including our transition from a spot-buy supplier to a mission-critical partner; our ability to realize the expected cost savings and benefits from our restructuring activities; retention of key personnel and qualified sales and customer service personnel and metalworking specialists; 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; difficulties in calibrating customer demand for our products, in particular personal protective equipment or “PPE” products, which could cause an inability to sell excess products ordered from manufacturers resulting in inventory write-downs or could conversely cause inventory shortages of such products; 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; disruptions or breaches of our information systems, or violations of data privacy laws; risk of loss of key suppliers, key brands or supply chain disruptions; 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; our ability to maintain our credit facilities; interest rate uncertainty due to LIBOR reform; failure to comply with applicable environmental, health and safety laws and regulations; and goodwill and intangible assets recorded as a result of our acquisitions could be impaired. Additional information concerning these and other risks is described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the reports on Forms 10-K and 10-Q that we file with the U.S. Securities and Exchange Commission. We assume no obligation to update any of these forward-looking statements.

Fourth Quarter Overview

Executed well in an uncertain environment with sales down for the quarter, but with trend improving each month

Safety and janitorial product sales improved year-over-year due to pandemic related demand, while sales for the rest of business improved sequentially each month

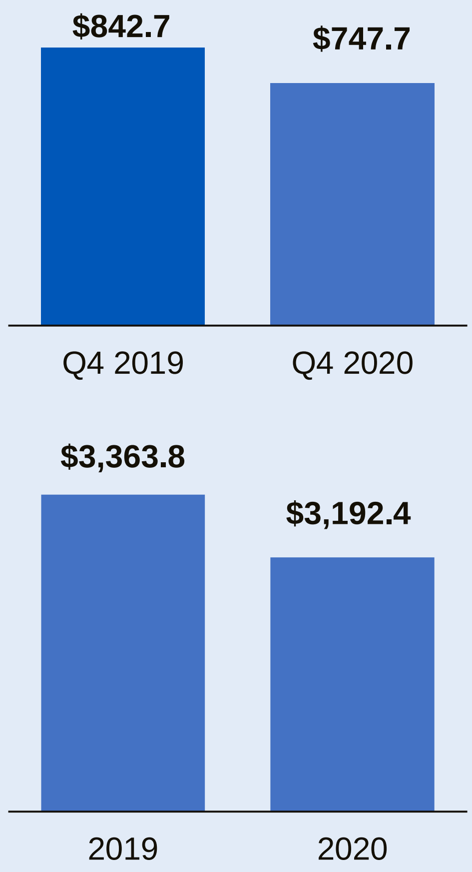
COVID-19 continued to drive uncertainty in the macroenvironment, broad-based softness in key end markets, and customer caution in core end markets

Solid underlying gross margins in the quarter due to price and purchase cost performance, offset by PPE-related mix headwinds

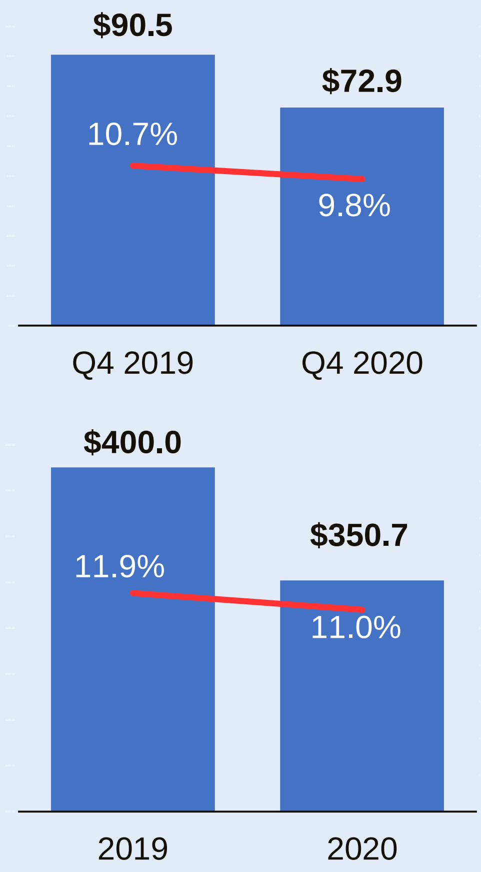
Cash flow generation and liquidity remained strong in the quarter, with balance sheet improvement due to debt repayment

Fiscal Fourth Quarter and Full Year 2020 Reported Results

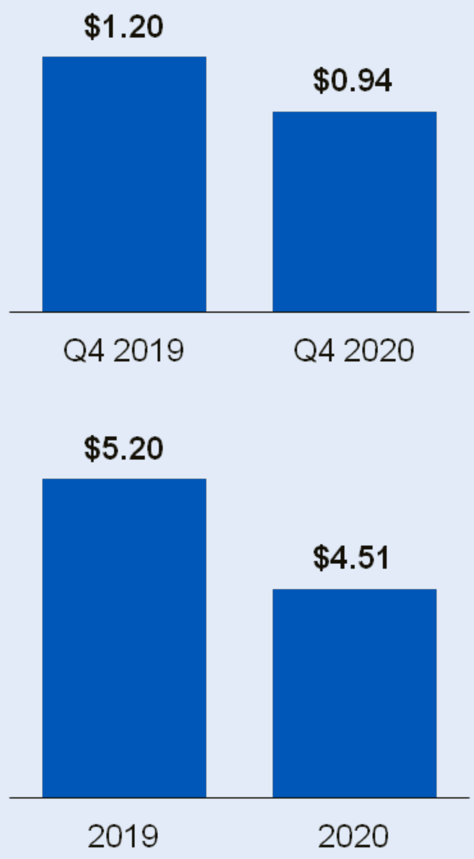
Sales
(millions)



Operating Profit
(millions and % of sales)



Earnings
(per diluted share)



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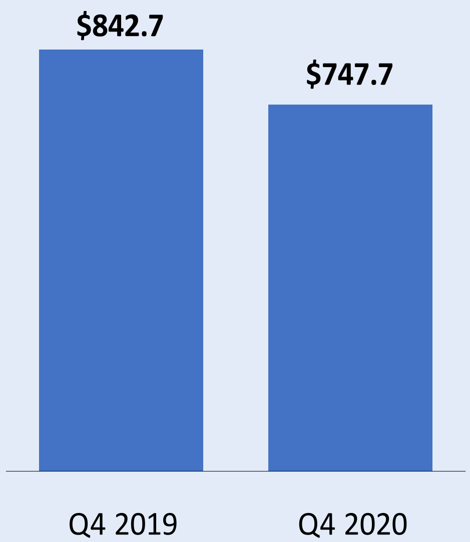
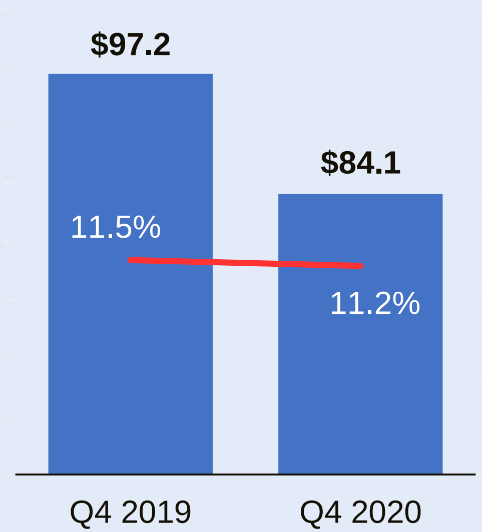
Fiscal Fourth Quarter 2020 Adjusted Results*

Sales
(millions)



- Average Daily Sales (ADS) declined 12.7%
- Safety and janitorial product sales improved 20%+ YoY
- Sales for the rest of the business declined YoY, but improved sequentially each month

Adjusted Operating Profit
(millions and % of sales)



- Solid underlying gross margins offset by PPE-related mix headwinds
- Excludes $6.7 million in severance costs in Q4 2019
- Excludes $11.2 million in severance costs and consulting fees related to the operating model review in Q4 2020

Adjusted Earnings
(per diluted share)

- Effective tax rate of 23.1% in Q4 2019 and 23.5% in Q4 2020
- Excludes $0.09 impact of severance costs in Q4 2019
- Excludes $0.15 impact of severance costs and consulting fees related to operating model review in Q4 2020

- See appendix for non-GAAP reconciliations.
- Individual amounts may not agree to the total due to rounding

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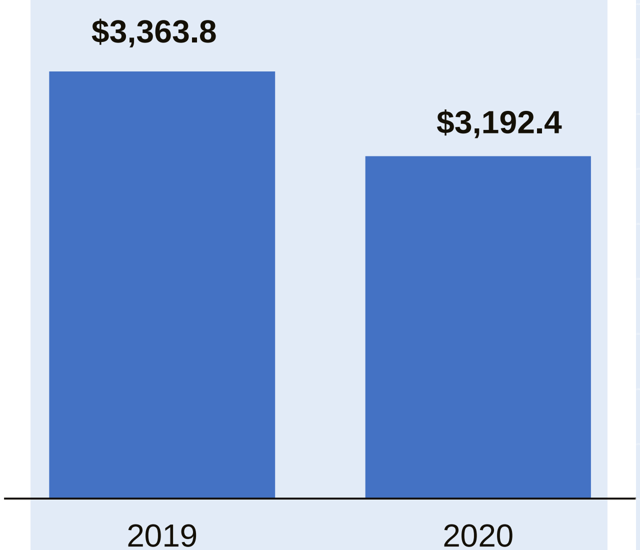
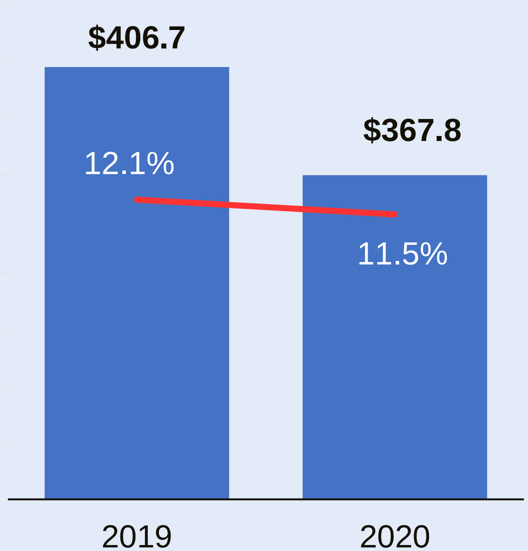
Fiscal 2020 Adjusted Results*

Sales
(millions)



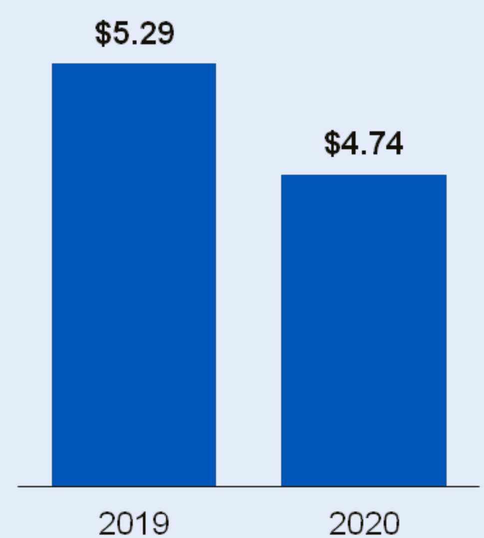
- Average Daily Sales (ADS) declined 5.1%
- Safety and janitorial product sales improved 30%+ YoY
- Sales for the rest of the business declined YoY

Adjusted Operating Profit
(millions and % of sales)



- Solid underlying gross margins offset by PPE-related mix headwinds
- Excludes $6.7 million in severance costs in FY 2019
- Excludes $17.0 million in severance costs and consulting fees related to the operating model review in FY 2020

Adjusted Earnings
(per diluted share)



- Effective tax rate of 24.6% in FY 2019 and 24.7% in FY 2020
- Excludes $0.09 impact of severance costs in FY 2019
- Excludes $0.23 impact of severance costs and consulting fees related to operating model review in FY 2020

- See appendix for non-GAAP reconciliations.
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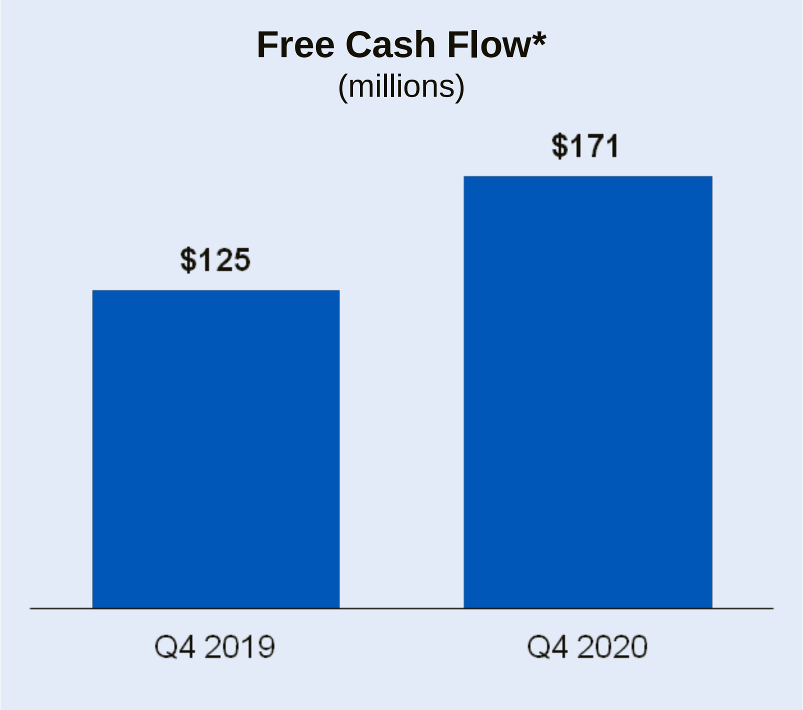
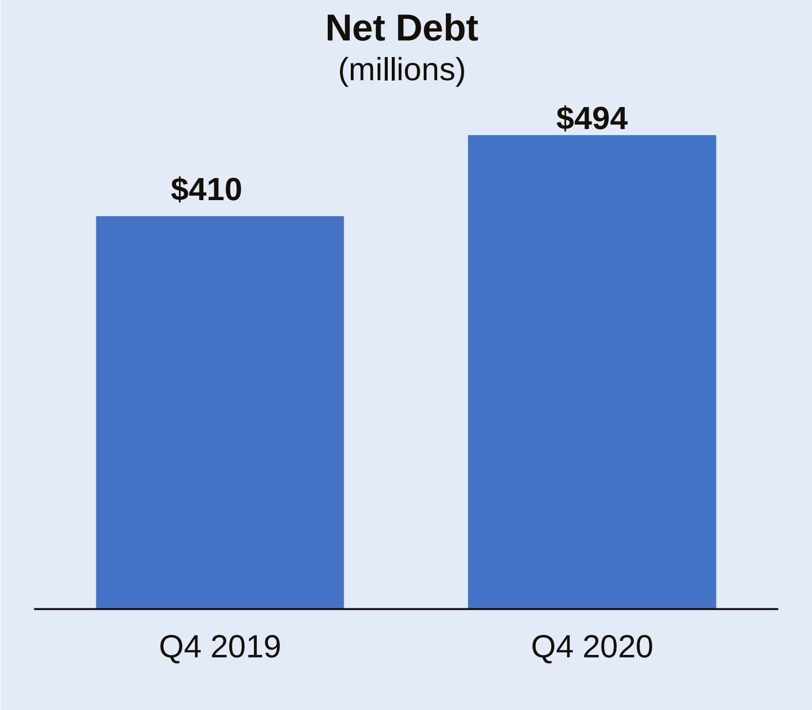
Fiscal Fourth Quarter Balance Sheet and Liquidity Position





- Strong free cash flow generation on reduction in inventories and receivables
- Net debt reflects both revolver paydown and payment of maturing private placement debt
- Resulted in modest increase in year over year leverage ratio

* See appendix for non-GAAP reconciliations.

Overview of Mission Critical

OBJECTIVE: Reaccelerate market share capture	**OBJECTIVE:** Grow profits faster than sales
KEY PRIORITIES	**KEY AREAS**
Solidify Metalworking · **Leverage Portfolio Strength** · **Expand Solutions** · **Grow E-commerce** · **Diversify Customers & End Markets**	**Sales & Services** · **Supply Chain** · **General & Administrative**
GOAL: Outgrow market by at least 400 bps over cycle	**GOAL:** Achieve high-teens ROIC by end of 2023

Mission Critical: Reaccelerate Market Share

OBJECTIVE:
Reaccelerate market share capture

KEY PRIORITIES

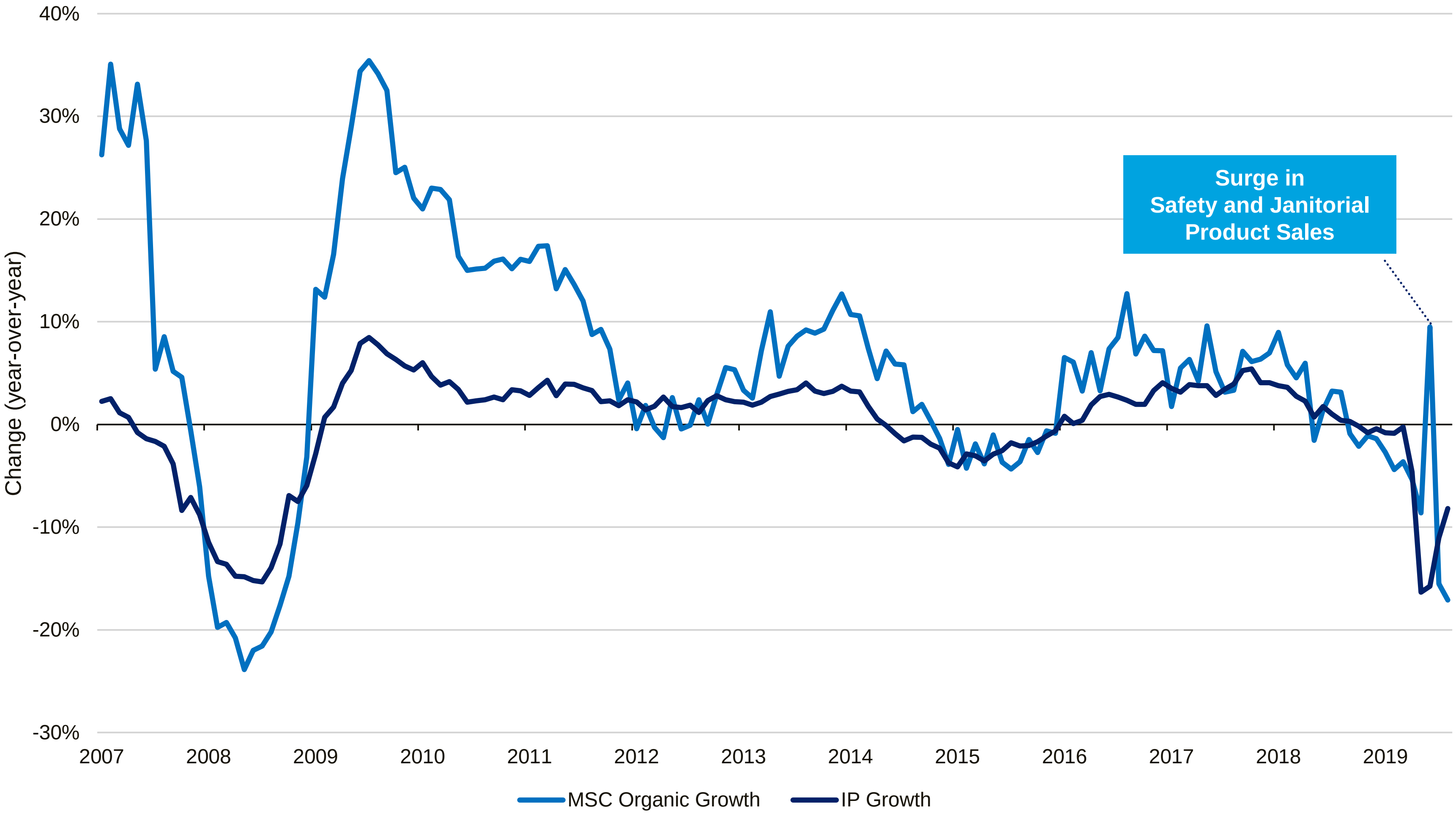
- **Solidify Metalworking**
- **Leverage Portfolio Strength**
- **Expand Solutions**
- **Grow E-commerce**
- **Diversify Customers & End Markets**

GOAL:
Outgrow market by at least 400 bps over cycle

INITIATIVES

- Build on talented team of metalworking specialists
- Leverage exclusive MSC Millmax™ technology
- Increase investments in Vending, VMI and in plant solutions programs
- Elevate website and other digital tools
- Scale our presence in counter cyclical businesses

Industrial Production Index (IP)



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Mission Critical: Grow Profits Faster than Sales

INITIATIVES

- Optimize distribution center network
- Renegotiated supplier contracts
- Redesigned talent acquisition approach
- Reduced long-term freight contracts
- Voluntary early retirement program

OBJECTIVE:
Grow profits faster than sales

KEY AREAS

- Sales & Services
- Supply Chain
- General & Administrative

GOAL:
Achieve high-teens ROIC by end of 2023

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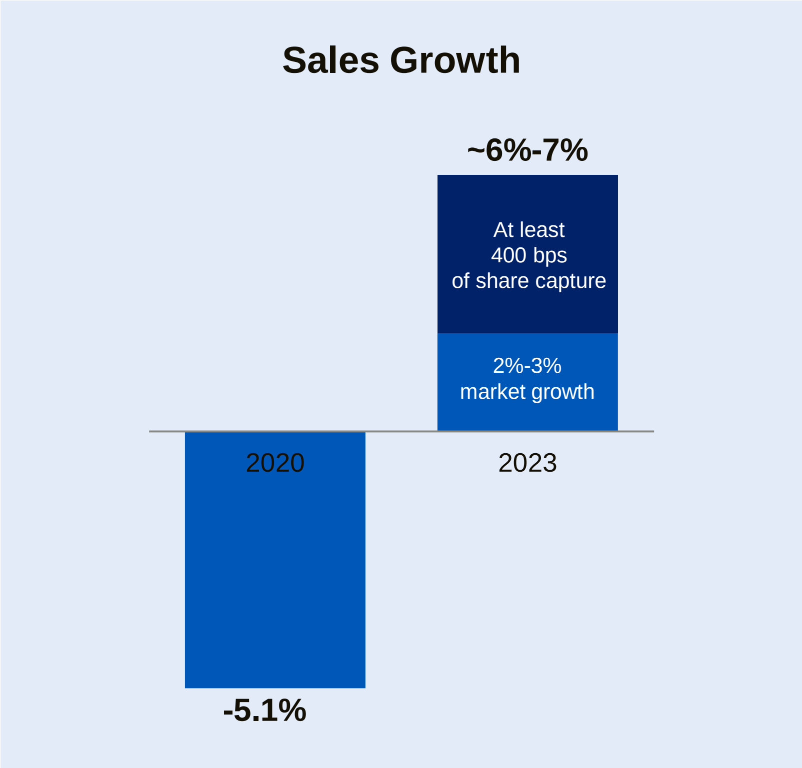
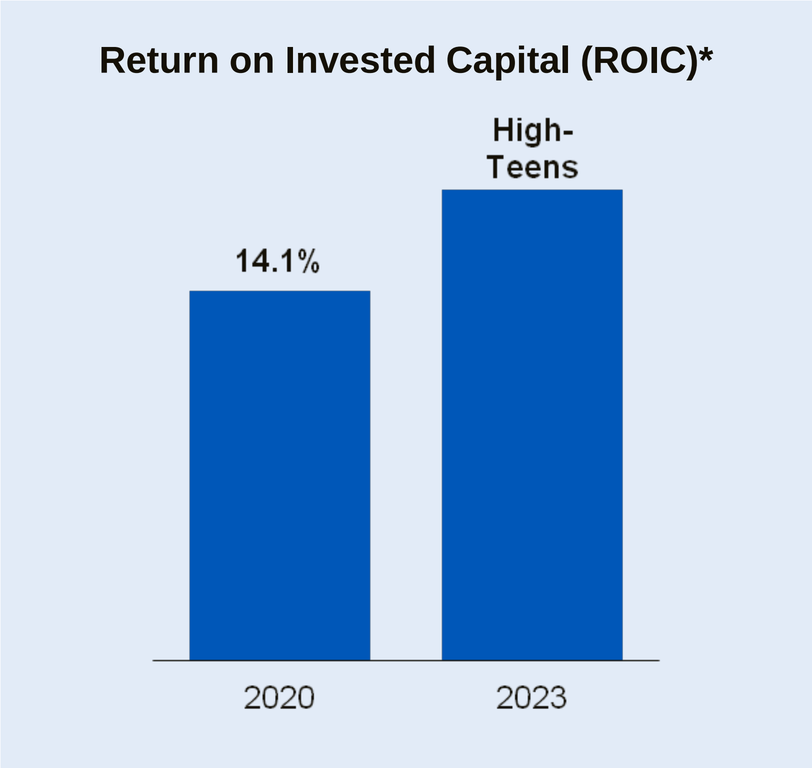
Fiscal Year 2023 Targets

Mission Critical Objectives	
	Reaccelerate market share capture
	Grow profits faster than sales





* See appendix for non-GAAP reconciliations.

Fiscal 2021 Framework

Revenue Growth (YoY)	Operating Margin Range (%)
▲ Low single digits	11.0%- 11.4%
− Flat	10.7%- 11.1%
▼ Low single digits	10.5%- 10.9%

Current MSC expectations based on IP forecasts and PPE headwinds

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Fiscal 2021 Framework – Adjusted*

Revenue Growth (YoY)	Adjusted Operating Margin Range (%)
▲ Low single digits	11.5%- 11.9%
— Flat	11.2%- 11.6%
▼ Low single digits	11.0%- 11.4%

Current MSC expectations based on IP forecasts and PPE headwinds

* Excludes approximately $15-20 million of restructuring and other related costs.

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Summary

Executed well in an uncertain environment and focused on serving our customers and driving efficiency in our business

Expect ongoing uncertainty in the industry environment and continued customer caution related to COVID-19

Implementation of our Mission Critical initiatives will drive above market growth and grow profits faster than sales

Appendix

Reconciliations

<u>Non-GAAP Financial Measures</u>

- ***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.

- ***Results excluding Restructuring and Other Related Costs***

To supplement MSC's unaudited and audited 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 provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude restructuring and other related 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 restructuring and other related 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.

Reconciliations

- ***Return on Invested Capital ("ROIC")***

ROIC is calculated using a non-GAAP financial measure. We calculate ROIC by dividing non-GAAP net operating profit after tax ("NOPAT") by average invested capital, a GAAP measure. NOPAT is defined as tax effected income from operations. Average invested capital is defined as net debt plus shareholder's equity using a trailing 12-month average. We believe that ROIC is useful to investors as a measure of performance and of the effectiveness of the use of capital in our operations. We use ROIC as one measure to monitor and evaluate operating performance. This method of determining non-GAAP ROIC may differ from other companies' methods and therefore may not be comparable to those used by other companies. ROIC should be considered in addition to, rather than as a substitute for, other information provided in accordance with GAAP. The financial measure calculated under GAAP which is most directly comparable to ROIC is considered to be the ratio of Net income to Average invested capital. See below for the calculation of ROIC and the reconciliation to the comparable GAAP measure.

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

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information
Quarters and Years Ended August 29, 2020 and August 31, 2019
(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 29, 2020	August 31, 2019	August 29, 2020	August 31, 2019	August 29, 2020	August 31, 2019
$ 181,798	$ 141,226	$ (11,071)	$ (15,817)	$ 170,727	$ 125,409

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 29, 2020	August 31, 2019	August 29, 2020	August 31, 2019	August 29, 2020	August 31, 2019
$ 396,739	$ 328,426	$ (46,991)	$ (51,773)	$ 349,748	$ 276,653

Reconciliations

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information
Thirteen Weeks and Year Ended August 29, 2020
(dollars in thousands, except per share data)

	GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
	Total MSC		Restructuring and Other Related Costs		Excluding Restructuring and Other Related Costs	
	Thirteen Weeks Ended August 29, 2020	Year Ended August 29, 2020	Thirteen Weeks Ended August 29, 2020	Year Ended August 29, 2020	Thirteen Weeks Ended August 29, 2020	Year Ended August 29, 2020
Net Sales	$ 747,732	$ 3,192,399	$	$	$ 747,732	$ 3,192,399
ADS Growth %	*(12.7)%*	*(5.1)%*	-	-	*(12.7)%*	*(5.1)%*
Cost of Goods Sold	436,620	1,849,077	-	-	436,620	1,849,077
Gross Profit	311,112	1,343,322	-	-	311,112	1,343,322
Gross Margin	*41.6%*	*42.1%*	-	-	*41.6%*	*42.1%*
Operating Expense	238,192	992,582	11,158	17,029[1]	227,034	975,553
Operating Exp as % of Sales	*31.9%*	*31.1%*	*1.5%*	*0.5%*	*30.4%*	*30.6%*
Income from Operations	72,920	350,740	(11,158)	(17,029)	84,078	367,769
Operating Margin	*9.8%*	*11.0%*	*(1.5)%*	*(0.5)%*	*11.2%*	*11.5%*
Total Other Expense	(4,115)	(16,490)	-	-	(4,115)	(16,490)
Income before provision for income taxes	68,805	334,250	(11,158)	(17,029)	79,963	351,279
Provision for income taxes	16,169	82,492	(2,622)	(4,206)	18,791	86,698
Net income	52,636	251,758	(8,536)	(12,823)	61,172	264,581
Net income (loss) attributable to noncontrolling interest	140	641	-	-	140	641
Net income attributable to MSC Industrial	$ 52,496	$ 251,117	$ (8,536)	$ (12,823)	$ 61,032	$ 263,940
Net income per common share:						
Diluted	$ 0.94	$ 4.51	$ (0.15)	$ (0.23)	$ 1.09	$ 4.74

[1]Restructuring and Other Related Costs were incurred in each fiscal quarter as follows: $2,571 in fiscal Q1, $1,941 in fiscal Q2, $1,359 in fiscal Q3, and $11,158 in fiscal Q4.

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Reconciliations

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		Restructuring and Other Related Costs		Excluding Restructuring and Other Related Costs	
	Thirteen Weeks Ended August 31, 2019	Year Ended August 31, 2019	Thirteen Weeks Ended August 31, 2019	Year Ended August 31, 2019	Thirteen Weeks Ended August 31, 2019	Year Ended 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	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

Note: Individual amounts may not agree to the total due to rounding

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Reconciliations

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information
Year Ended August 29, 2020
(dollars in thousands)

		Fiscal Year Ended August 29, 2020
(a) Net income attributable to MSC Industrial	$	251,117
NOPAT		
Income from Operations		350,740
Effective tax rate		24.7%
(b) Non-GAAP NOPAT		264,177
Invested Capital		
Total MSC Industrial shareholders' equity	$	1,314,945
Current portion of debt including obligations under finance leases		122,248
Long-term debt including obligations under finance leases		497,018
Total Debt		619,266
Cash and cash equivalents		125,211
Net debt		494,055
Invested capital		1,809,000
(c) Average invested capital (twelve-month trailing average)		1,876,934
(a)/(c) Net income to Average invested capital		13.4%
(b)/(c) Non-GAAP ROIC		14.1%