Fiscal First Quarter 2021 Earnings Presentation

JANUARY 6, 2021

MSC

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 Presentation 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 and structural cost reductions; 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.

Fiscal First Quarter 2021 Overview

Progress on Mission Critical* driving improving sales trend and productivity gains in continued uncertain macro environment

Solid underlying gross margins in the quarter due to price and purchase cost performance despite headwinds from some large PPE sales

Operating expenses as a percent of sales was flat versus prior year excluding restructuring and other related costs despite decline in sales

GAAP results significantly impacted by an asset impairment charge resulting from growing uncertainty over our ability to secure deliveries of nitrile gloves

Maintained conservative balance sheet. Paid special dividend post-Q1, reflecting longstanding commitment to returning capital to our shareholders

* See section titled “Mission Critical Overview” in this presentation for more information on Mission Critical objectives and initiatives.

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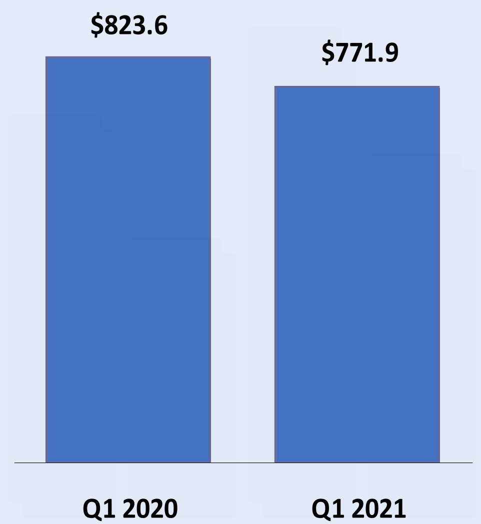
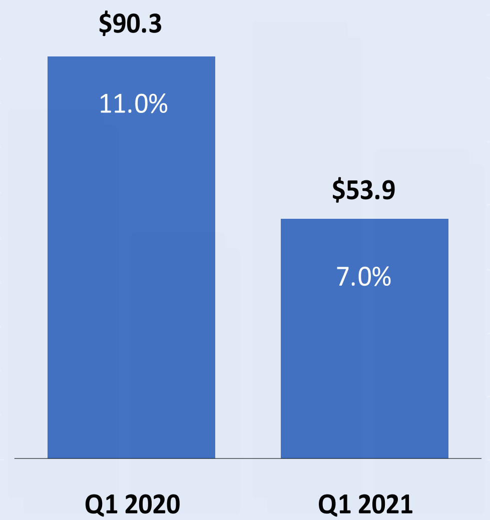
Fiscal First Quarter 2021 Reported Results

Net Sales
(millions)



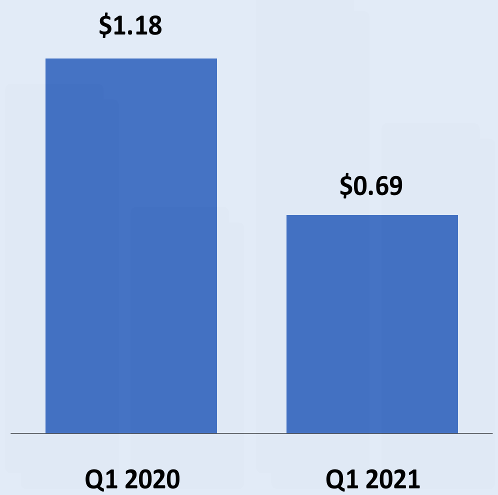
- Average Daily Sales (ADS) declined 6.3%
- Safety and janitorial product sales improved 20%+ YoY
- Sales for the rest of the business declined YoY, but improved sequentially each month

Operating Profit
(millions and % of sales)



- Q1 2021 gross margin was 41.9%, 30 bps lower than Q1 2020
- Strong execution of price and cost initiatives
- Decreased operating expense offset by lower sales volume
- Operating margin in Q1 2021 includes $26.7 million asset impairment charge

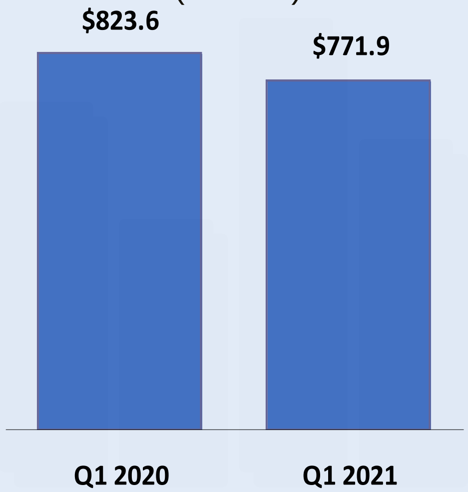
Earnings
(per diluted share)



- Reflects effective tax rate of 25.0% in Q1 2020 and 24.3% in Q1 2021
- EPS in Q1 2021 includes $0.36 impact of asset impairment charge

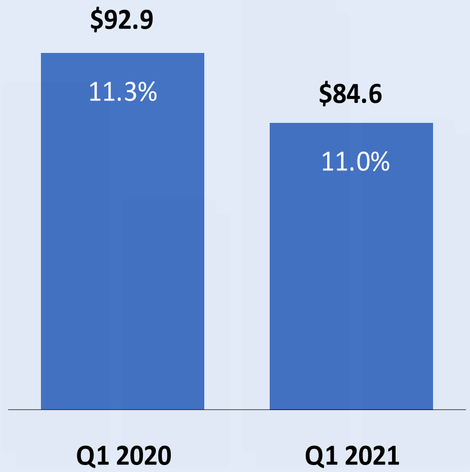
Fiscal First Quarter 2021 Adjusted Results*

Net Sales
(millions)



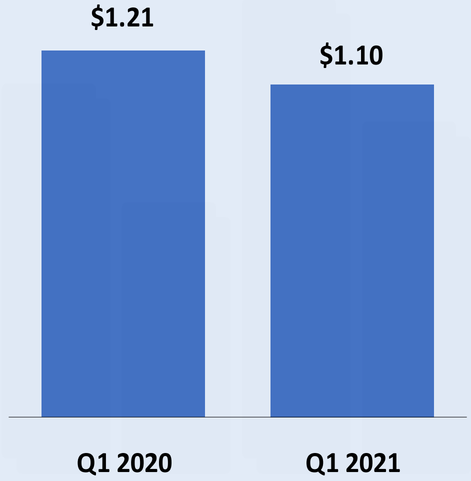
- Average Daily Sales (ADS) declined 6.3%
- Safety and janitorial product sales improved 20%+ YoY
- Sales for the rest of the business declined YoY, but improved sequentially each month

Adjusted Operating Profit
(millions and % of sales)



- Adjusted operating margin in Q1 2020 excludes $2.6 million in restructuring and other related costs
- Adjusted operating margin in Q1 2021 excludes $26.7 million in asset impairment charge and $4.0 million in restructuring and other related costs

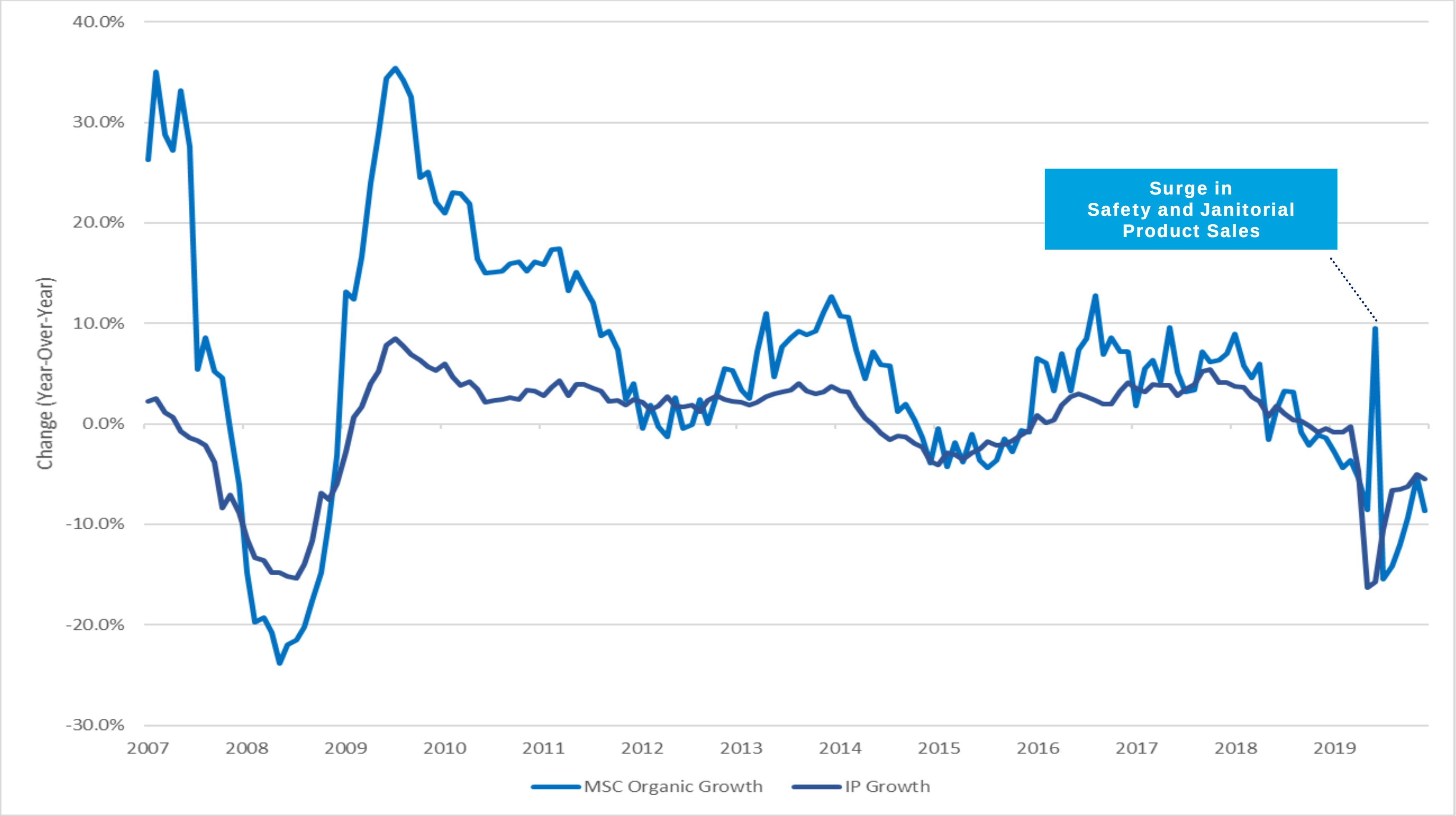
Adjusted Earnings
(per diluted share)



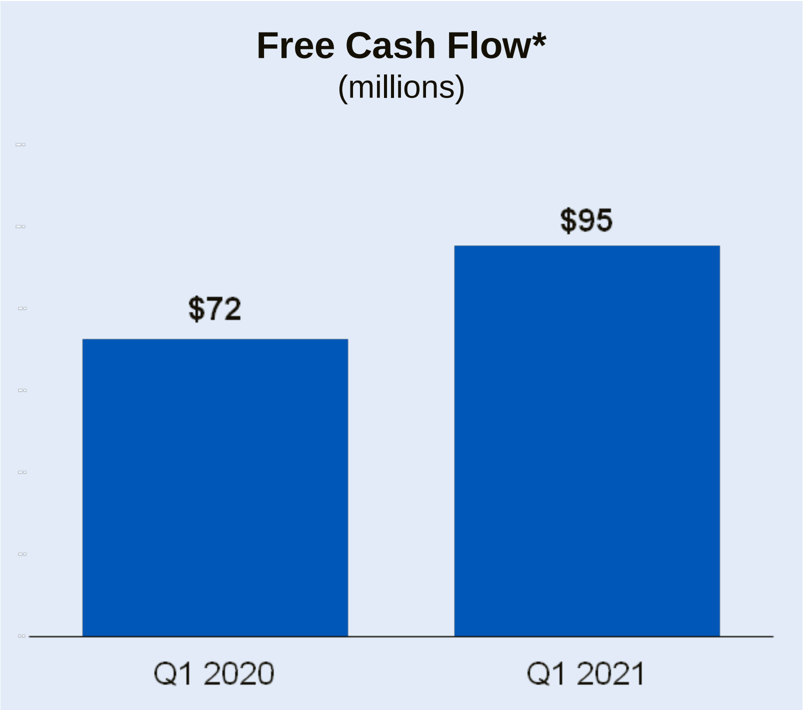
- Reflects effective tax rate of 25.0% in Q1 2020 and 24.3% in Q1 2021
- Adjusted EPS in Q1 2020 excludes $0.03 impact of restructuring and other related costs
- Adjusted EPS in Q1 2021 excludes $0.36 impact of asset impairment charge and $0.05 impact of restructuring and other related costs

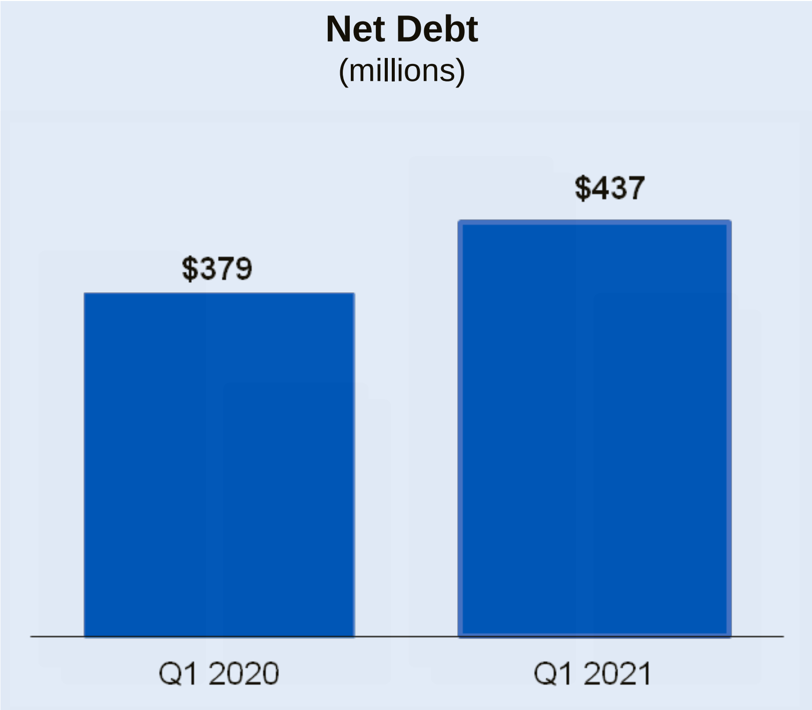
* See appendix for non-GAAP reconciliations.

Industrial Production Index (IP)



Fiscal First Quarter Balance Sheet and Liquidity Position



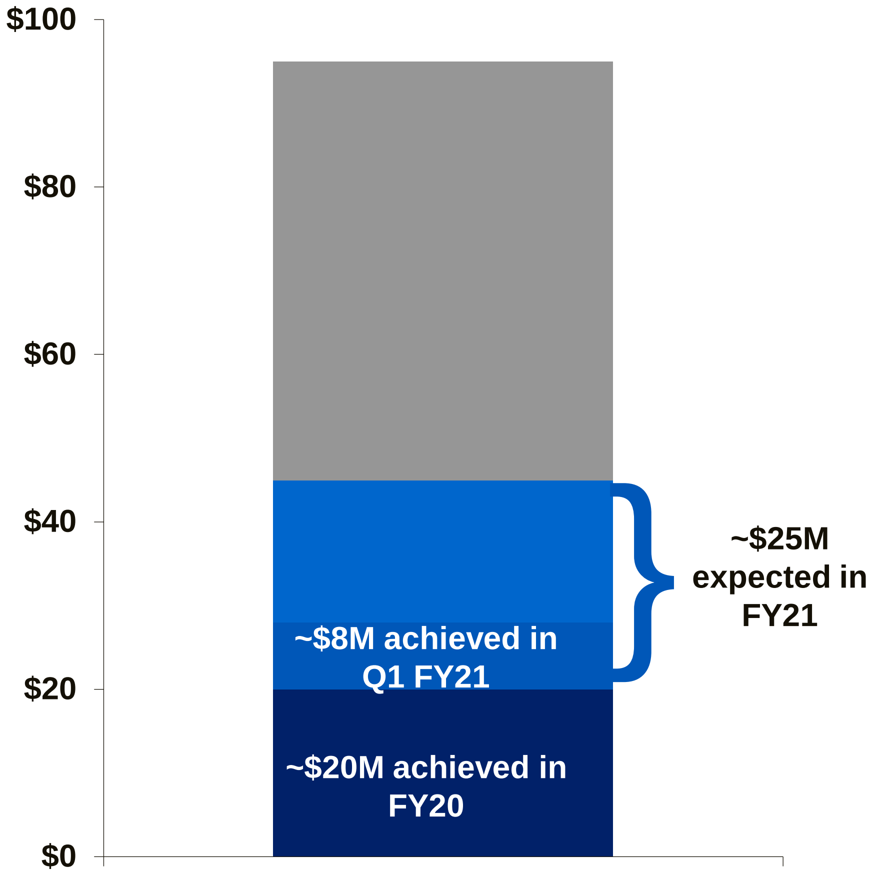


- Improved free cash flow generation on accounts payable management and the deferral of payroll taxes under the CARES Act
- Maintained balanced capital allocation philosophy and a conservative balance sheet
- Paid a special dividend of approximately $195 million post-Q1

* See appendix for non-GAAP reconciliations.

Mission Critical: Strong Progress on Cost Savings

Total gross savings:
$90M – $100M versus fiscal 2019



KEY AREAS

Sales and service

Supply chain

General & Administrative

- Solid progress on stated goal of ~$25M in gross cost savings in FY21 with $8M achieved in Q1
- Reaffirming total gross cost savings target of $90M - $100M versus fiscal 2019
- A portion of the savings will be reinvested into growth
- Improvement in OpEx to Sales ratio of roughly 200 bps by fiscal 2023

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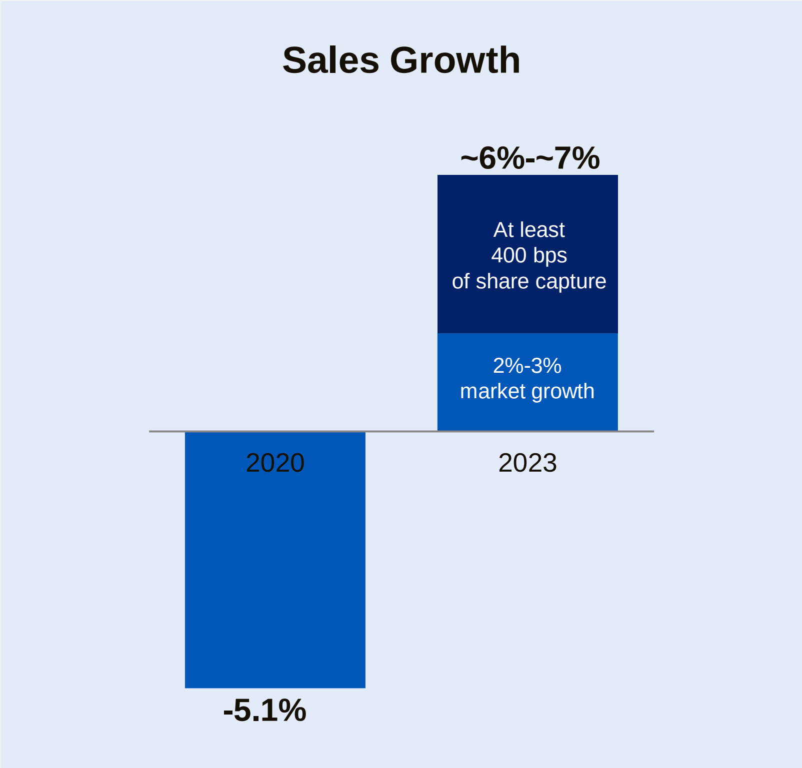
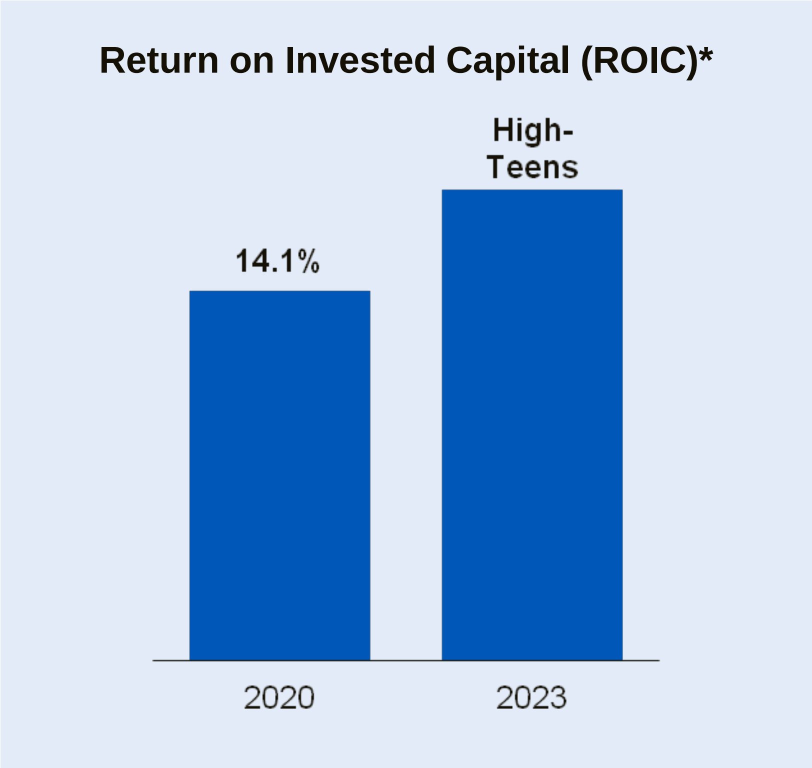
Fiscal Year 2023 Targets

Mission Critical Objectives

- Reaccelerate market share capture
- Grow profits faster than sales





* See appendix for non-GAAP reconciliations.

Summary

Focused on executing in an uncertain environment and remain committed to serving our customers

Encouraged by momentum as evidenced by improving numbers and execution of the projects behind them

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

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Mission Critical Overview and Fiscal 2021 Framework

Overview of Mission Critical

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

OBJECTIVE:
Grow profits faster than sales

KEY AREAS

- Sales & Services
- Supply Chain
- General & Administrative

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

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
- Review of real estate footprint

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 2021 Framework*

Revenue Growth (YoY)	Operating Margin Range (%)
▲ Low single digits	10.2% - 10.6%
— Flat	9.9% - 10.3%
▼ Low single digits	9.6% - 10.0%

* Includes $26.7 million asset impairment charge.

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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%

* Excludes approximately $15 million to $20 million of restructuring and other related costs and $26.7 million asset impairment charge.

Appendix

Reconciliations

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 28, 2020 and November 30, 2019, respectively is shown below.

- ***Results excluding Impairment Loss and Restructuring and Other Related 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 provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude the impairment loss and 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 the impairment loss and 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 13-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 measure

Reconciliations

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES

Reconciliation of GAAP and Non-GAAP Information

Thirteen Weeks Ended November 28, 2020 and November 30, 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	
November 28, 2020	November 30, 2019	November 28, 2020	November 30, 2019	November 28, 2020	November 30, 2019
$ 103,230	$ 85,112	$ (7,893)	(12,689)	$ 95,337	$ 72,423

Reconciliations

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information
Thirteen Weeks Ended November 28, 2020
(dollars in thousands, except per share data)

	GAAP Measure	Items Affecting Comparability		Non-GAAP Measure
	Total MSC	Restructuring and Other Related Costs	Impairment Loss	MSC Excluding Impairment Loss and Restructuring and Other Related Costs
	Thirteen Weeks Ended November 28, 2020	Thirteen Weeks Ended November 28, 2020	Thirteen Weeks Ended November 28, 2020	Thirteen Weeks Ended November 28, 2020
Net Sales	$ 771,904	$ -	$ -	$ 771,904
ADS Growth %	*-6.3%*	-	-	*-6.3%*
Cost of Goods Sold	448,586	-	-	448,586
Gross Profit	323,318	-	-	323,318
Gross Margin	*41.9%*	-	-	*41.9%*
Operating Expense	242,684	3,979	-	238,705
Operating Exp as % of Sales	*31.4%*	*0.5%*		*30.9%*
Impairment Loss	26,726	-	26,726	-
Income from Operations	53,908	(3,979)	(26,726)	84,613
Operating Margin	*7.0%*	*-0.5%*	*-3.5%*	*11.0%*
Total Other Expense	(2,684)	-	-	(2,684)
Income before provision for income taxes	51,224	(3,979)	(26,726)	81,929
Provision for income taxes	12,447	(967)	(6,494)	19,908
Net income	38,777	(3,012)	(20,232)	62,021
Net income attributable to noncontrolling interest	323	-	-	323
Net income attributable to MSC Industrial	$ 38,454	$ (3,012)	$ (20,232)	$ 61,698
Net income per common share:				
Diluted	$ 0.69	$ (0.05)	$ (0.36)	$ 1.10

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Reconciliations

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	Restructuring and Other Related Costs	MSC Excluding Restructuring and Other Related Costs
	Thirteen Weeks Ended November 30, 2019	Thirteen Weeks Ended November 30, 2019	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

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Reconciliations

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES

Reconciliation of GAAP and Non-GAAP Information

As of August 29, 2020

(dollars in thousands)

		Fiscal Year Ended August 29, 2020
(a) Net income attributable to MSC Industrial (twelve-month trailing)	$	251,117
NOPAT		
Income from Operations (twelve-month trailing)		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 (thirteen-month trailing average)		1,876,934
(a)/(c) Net income to Average invested capital		13.4%
(b)/(c) Non-GAAP ROIC		14.1%

THANK YOU

JOHN CHIRONNA

VICE PRESIDENT, INVESTOR RELATIONS AND TREASURER

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