

Non-GAAP Financial Measures

- ***Free Cash Flow (“FCF”)***

FCF is a non-GAAP financial measure. FCF is used in addition to and in conjunction with results presented in accordance with accounting principles generally accepted in the United States (“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 and twenty-six-week periods ended February 27, 2021 and February 29, 2020, respectively is shown below.

- ***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.

- ***Results Excluding Impairment Loss, Restructuring Costs, Inventory Write-downs, and Other Charges***

To supplement MSC Industrial’s unaudited selected financial data presented consistent with accounting principles generally accepted in the United States (“GAAP”), the Company discloses certain non-GAAP financial measures, including non-GAAP gross profit, non-GAAP operating expenses, non-GAAP income from operations, non-GAAP operating margin, non-GAAP provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude impairment losses, restructuring costs, inventory write-downs related to certain PPE inventory, and other related costs and tax effects.

These non-GAAP financial measures are not presented in accordance with GAAP or an alternative for GAAP financial measures and may be different from similar non-GAAP financial measures used by other companies. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP financial measures and should only be used to evaluate MSC Industrial’s results of operations in conjunction with the corresponding GAAP financial measures.

In calculating non-GAAP financial measures, we exclude impairment losses, restructuring costs, inventory write-downs related to certain PPE inventory, and other related costs and tax effects. Management makes these adjustments to facilitate a review of the Company’s operating performance on a comparable basis between periods, for comparison with forecasts and strategic plans, for identifying and analyzing trends in the Company’s underlying business and for benchmarking performance externally against competitors. We believe that investors benefit from seeing results from the perspective of management in addition to seeing results presented in accordance with GAAP for the same reasons and purposes for which management uses such non-GAAP financial measures.

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Information
Thirteen and Twenty-Six Weeks Ended February 27, 2021 and February 29, 2020
(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	
February 27, 2021	February 29, 2020	February 27, 2021	February 29, 2020	February 27, 2021	February 29, 2020
\$ 15,704	\$ 70,703	\$ (12,061)	\$ (13,048)	\$ 3,643	\$ 57,655

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	
February 27, 2021	February 29, 2020	February 27, 2021	February 29, 2020	February 27, 2021	February 29, 2020
\$ 118,934	\$ 155,815	\$ (19,954)	\$ (25,737)	\$ 98,980	\$ 130,078

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen Weeks Ended February 27, 2021
(dollars in thousands, except percentages and per share data)

	GAAP Financial Measure				Items Affecting Comparability		Non-GAAP Financial Measure
	Total MSC Industrial	Inventory Write-down	Restructuring Costs	Legal Costs-impairment of prepaid for PPE			Adjusted Total MSC Industrial
Net Sales	\$ 773,995	\$ -	\$ -	\$ -			\$ 773,995
Cost of Goods Sold	479,244	30,091	-	-			449,153
Gross Profit	294,751	(30,091)	-	-			324,842
Gross Margin	38.1%	-3.9%	-	-			42.0%
Operating Expenses	245,115	-	-	727			244,388
Operating Exp as % of Sales	31.7%	-	-	0.1%			31.6%
Restructuring Costs	21,615	-	21,615	-			-
Income from Operations	28,021	(30,091)	(21,615)	(727)			80,454
Operating Margin	3.6%	-3.9%	-2.8%	-0.1%			10.4%
Total Other Expense	(3,622)	-	-	-			(3,622)
Income before provision for income taxes	24,399	(30,091)	(21,615)	(727)			76,832
Provision for income taxes	6,051	(7,432)	(5,339)	(180)			19,002
Net income	18,348	(22,659)	(16,276)	(547)			57,830
Net income attributable to noncontrolling interest	263	-	-	-			263
Net income attributable to MSC Industrial	<u>\$ 18,085</u>	<u>\$ (22,659)</u>	<u>\$ (16,276)</u>	<u>\$ (547)</u>			<u>\$ 57,567</u>
Net income per common share:							
Diluted	<u>\$ 0.32</u>	<u>\$ (0.40)</u>	<u>\$ (0.29)</u>	<u>\$ (0.01)</u>			<u>\$ 1.03</u>

MSC INDUSTRIAL SUPPLY CO. AND SUBSIDIARIES
Reconciliation of GAAP and Non-GAAP Financial Information
Twenty-Six Weeks Ended February 27, 2021
(dollars in thousands, except percentages and per share data)

	GAAP Financial Measure					Non-GAAP Financial Measure	
	Total MSC Industrial	Inventory Write-down	Items Affecting Comparability Restructuring Costs Impairment Loss		Legal Costs - impairment of prepaid for PPE	Adjusted Total MSC Industrial	
Net Sales	\$ 1,545,899	\$ -	\$ -	\$ -	\$ -	\$ 1,545,899	
Cost of Goods Sold	927,830	30,091	-	-	-	897,739	
Gross Profit	618,069	(30,091)	-	-	-	648,160	
Gross Margin	40.0%	-1.9%	-	-	-	41.9%	
Operating Expenses	483,820	-	-	-	1,020	482,800	
Operating Exp as % of Sales	31.3%	-	-	-	0.1%	31.2%	
Impairment Loss	26,726	-	-	26,726	-	-	
Restructuring Costs	25,594	-	25,594	-	-	-	
Income from Operations	81,929	(30,091)	(25,594)	(26,726)	(1,020)	165,360	
Operating Margin	5.3%	-1.9%	-1.7%	-1.7%	-0.1%	10.7%	
Total Other Expense	(6,306)	-	-	-	-	(6,306)	
Income before provision for income taxes	75,623	(30,091)	(25,594)	(26,726)	(1,020)	159,054	
Provision for income taxes	18,498	(7,432)	(6,322)	(6,601)	(252)	39,105	
Net income	57,125	(22,659)	(19,272)	(20,125)	(768)	119,949	
Net income attributable to noncontrolling interest	586	-	-	-	-	586	
Net income attributable to MSC Industrial	<u>\$ 56,539</u>	<u>\$ (22,659)</u>	<u>\$ (19,272)</u>	<u>\$ (20,125)</u>	<u>\$ (768)</u>	<u>\$ 119,363</u>	
Net income per common share:							
Diluted	<u>\$ 1.01</u>	<u>\$ (0.40)</u>	<u>\$ (0.34)</u>	<u>\$ (0.36)</u>	<u>\$ (0.01)</u>	<u>\$ 2.13</u>	

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

	GAAP Financial Measure		Items Affecting Comparability ¹		Non-GAAP Financial Measure	
	Total MSC Industrial		Restructuring Costs		MSC Industrial excluding Restructuring Costs	
	Thirteen Weeks Ended February 29, 2020	Twenty-Six Weeks Ended February 29, 2020	Thirteen Weeks Ended February 29, 2020	Twenty-Six Weeks Ended February 29, 2020	Thirteen Weeks Ended February 29, 2020	Twenty-Six Weeks Ended February 29, 2020
Net Sales	\$ 786,094	\$ 1,609,695	\$ -	\$ -	\$ 786,094	\$ 1,609,695
Cost of Goods Sold	455,042	931,447	-	-	455,042	931,447
Gross Profit	331,052	678,248	-	-	331,052	678,248
Gross Margin	42.1%	42.1%	-	-	42.1%	42.1%
Operating Expenses	251,441	505,768	-	-	251,441	505,768
Operating Exp as % of Sales	32.0%	31.4%	-	-	32.0%	31.4%
Restructuring Costs	1,941	4,512	1,941	4,512	-	-
Income from Operations	77,670	167,968	(1,941)	(4,512)	79,611	172,480
Operating Margin	9.9%	10.4%	-0.2%	-0.3%	10.1%	10.7%
Total Other Expense	(3,497)	(6,537)	-	-	(3,497)	(6,537)
Income before provision for income	74,173	161,431	(1,941)	(4,512)	76,114	165,943
Provision for income taxes	18,617	40,423	(487)	(1,128)	19,104	41,551
Net income	55,556	121,008	(1,454)	(3,384)	57,010	124,392
Net income attributable to noncontrolling interest	56	90	-	-	56	90
Net income attributable to MSC Industrial	\$ 55,500	\$ 120,918	\$ (1,454)	\$ (3,384)	\$ 56,954	\$ 124,302
Net income per common share:						
Diluted	\$ 1.00	\$ 2.18	\$ (0.03)	\$ (0.06)	\$ 1.02	\$ 2.24

¹Prior period adjustments include only restructuring costs. Items of note excluded from the current period results, including inventory write-downs, an impairment loss and associated legal costs, did not occur in the prior year periods.

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

	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%