

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 thirty-nine-week periods ended May 29, 2021 and May 30, 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 (Loss Recovery), 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 (loss recovery), 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 (loss recovery), 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 DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Information
Thirteen and Thirty-Nine Weeks Ended May 29, 2021 and May 30, 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	
May 29, 2021	May 30, 2020	May 29, 2021	May 30, 2020	May 29, 2021	May 30, 2020
\$ 20,426	\$ 59,126	\$ (17,644)	\$ (10,183)	\$ 2,782	\$ 48,943

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities Thirty-Nine Weeks Ended		Expenditures for property, plant and equipment Thirty-Nine Weeks Ended		Free cash flow Thirty-Nine Weeks Ended	
May 29, 2021	May 30, 2020	May 29, 2021	May 30, 2020	May 29, 2021	May 30, 2020
\$ 139,360	\$ 214,941	\$ (37,598)	\$ (35,920)	\$ 101,762	\$ 179,021

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen Weeks Ended May 29, 2021
(dollars in thousands, except percentages and per share data)

	GAAP Financial Measure		Items Affecting Comparability			Non-GAAP Financial Measure
	Total MSC Industrial	Impairment Loss (Loss Recovery)	Restructuring Costs	Legal Costs-impairment of prepaid for PPE	Adjusted Total MSC Industrial	
Net Sales	\$ 866,294	\$ -	\$ -	\$ -	\$ 866,294	
Cost of Goods Sold	499,823	-	-	-	499,823	
Gross Profit	366,471	-	-	-	366,471	
Gross Margin	42.3%	-	-	-	42.3%	
Operating Expenses	257,336	-	-	401	256,935	
Operating Exp as % of Sales	29.7%	-	-	0.0%	29.7%	
Impairment Loss (Loss Recovery)	(20,840)	(20,840)	-	-	-	
Restructuring Costs	1,349	-	1,349	-	-	
Income from Operations	128,626	20,840	(1,349)	(401)	109,536	
Operating Margin	14.8%	2.4%	-0.2%	0.0%	12.6%	
Total Other Expense	(2,550)	-	-	-	(2,550)	
Income before provision for income taxes	126,076	20,840	(1,349)	(401)	106,986	
Provision for income taxes	31,141	5,263	(341)	(100)	26,319	
Net income	94,935	15,577	(1,008)	(301)	80,667	
Net income attributable to noncontrolling interest	501	-	-	-	501	
Net income attributable to MSC Industrial	\$ 94,434	\$ 15,577	\$ (1,008)	\$ (301)	\$ 80,166	
Net income per common share:						
Diluted	\$ 1.68	\$ 0.28	\$ (0.02)	\$ (0.01)	\$ 1.42	

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirty-Nine Weeks Ended May 29, 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		Legal Costs - impairment of prepaid for PPE	Adjusted Total MSC Industrial	
			Restructuring Costs	Impairment Loss			
Net Sales	\$ 2,412,193	\$ -	\$ -	\$ -	\$ -	\$ 2,412,193	
Cost of Goods Sold	1,427,653	30,091	-	-	-	1,397,562	
Gross Profit	984,540	(30,091)	-	-	-	1,014,631	
Gross Margin	40.8%	-1.2%	-	-	-	42.1%	
Operating Expenses	741,156	-	-	-	1,421	739,735	
Operating Exp as % of Sales	30.7%	-	-	-	0.1%	30.7%	
Impairment Loss	5,886	-	-	5,886	-	-	
Restructuring Costs	26,943	-	26,943	-	-	-	
Income from Operations	210,555	(30,091)	(26,943)	(5,886)	(1,421)	274,896	
Operating Margin	8.7%	-1.2%	-1.1%	-0.2%	-0.1%	11.4%	
Total Other Expense	(8,856)	-	-	-	-	(8,856)	
Income before provision for income taxes	201,699	(30,091)	(26,943)	(5,886)	(1,421)	266,040	
Provision for income taxes	49,639	(7,392)	(6,620)	(1,446)	(349)	65,446	
Net income	152,060	(22,699)	(20,323)	(4,440)	(1,072)	200,594	
Net income attributable to noncontrolling interest	1,087	-	-	-	-	1,087	
Net income attributable to MSC Industrial	<u>\$ 150,973</u>	<u>\$ (22,699)</u>	<u>\$ (20,323)</u>	<u>\$ (4,440)</u>	<u>\$ (1,072)</u>	<u>\$ 199,507</u>	
Net income per common share:							
Diluted	<u>\$ 2.69</u>	<u>\$ (0.40)</u>	<u>\$ (0.36)</u>	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>	<u>\$ 3.55</u>	

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen and Thirty-Nine Weeks Ended May 30, 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 May 30, 2020	Thirty-Nine Weeks Ended May 30, 2020	Thirteen Weeks Ended May 30, 2020	Thirty-Nine Weeks Ended May 30, 2020	Thirteen Weeks Ended May 30, 2020	Thirty-Nine Weeks Ended May 30, 2020
Net Sales	\$ 834,972	\$ 2,444,667	\$ -	\$ -	\$ 834,972	\$ 2,444,667
Cost of Goods Sold	481,010	1,412,457	-	-	481,010	1,412,457
Gross Profit	353,962	1,032,210	-	-	353,962	1,032,210
Gross Margin	42.4%	42.2%	-	-	42.4%	42.2%
Operating Expenses	242,751	748,519	-	-	242,751	748,519
Operating Exp as % of Sales	29.1%	30.6%	-	-	29.1%	30.6%
Restructuring Costs	1,359	5,871	1,359	5,871	-	-
Income from Operations	109,852	277,820	(1,359)	(5,871)	111,211	283,691
Operating Margin	13.2%	11.4%	-0.2%	-0.2%	13.3%	11.6%
Total Other Expense	(5,838)	(12,375)	-	-	(5,838)	(12,375)
Income before provision for income	104,014	265,445	(1,359)	(5,871)	105,373	271,316
Provision for income taxes	25,900	66,323	(338)	(1,468)	26,238	67,791
Net income	78,114	199,122	(1,021)	(4,403)	79,135	203,525
Net income attributable to noncontrolling interest	411	501	-	-	411	501
Net income attributable to MSC Industrial	\$ 77,703	\$ 198,621	\$ (1,021)	\$ (4,403)	\$ 78,724	\$ 203,024
Net income per common share:						
Diluted	\$ 1.40	\$ 3.57	\$ (0.02)	\$ (0.08)	\$ 1.42	\$ 3.65

¹The thirteen and thirty-nine weeks ended May 30, 2020 include only restructuring costs. Items of note excluded from the current period results, including inventory write-downs, an impairment loss (loss recovery) and associated legal costs, did not occur in the prior year periods.

MSC INDUSTRIAL DIRECT CO., INC.
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%