

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 years ended August 28, 2021 and August 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 (Loss Recovery), Restructuring Costs, Inventory Write-downs Relating to Certain PPE Inventory, Legal and Acquisition Costs, and Other Related Costs and Tax Effects***

To supplement MSC’s unaudited and audited 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, legal and acquisition costs, 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’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, legal and acquisition costs, 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 Financial Information
Quarters and Years Ended August 28, 2021 and August 29, 2020
(dollars in thousands)

GAAP Financial Measure		Items Affecting Comparability		Non-GAAP Financial 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	
August 28, 2021	August 29, 2020	August 28, 2021	August 29, 2020	August 28, 2021	August 29, 2020
\$ 85,102	\$ 181,798	\$ (16,148)	\$ (11,071)	\$ 68,954	\$ 170,727

GAAP Financial Measure		Items Affecting Comparability		Non-GAAP Financial Measure	
Net cash provided by operating activities Fiscal Year Ended		Expenditures for property, plant and equipment Fiscal Year Ended		Free cash flow Fiscal Year Ended	
August 28, 2021	August 29, 2020	August 28, 2021	August 29, 2020	August 28, 2021	August 29, 2020
\$ 224,462	\$ 396,739	\$ (53,746)	\$ (46,991)	\$ 170,716	\$ 349,748

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen Weeks Ended August 28, 2021
(dollars in thousands, except percentages and per share data)

	GAAP Financial Measure			Items Affecting Comparability		Non-GAAP Financial Measure
	Total MSC	Restructuring Costs	Legal and Acquisition Costs ⁽¹⁾	-	-	Adjusted Total MSC
Net Sales	\$ 831,031	\$ -	\$ -	\$ -	\$ -	831,031
Cost of Goods Sold	482,056	-	-	-	-	482,056
Gross Profit	348,975	-	-	-	-	348,975
Gross Margin	42.0%	-	-	-	-	42.0%
Operating Expenses	253,312	-	1,199	-	-	252,113
Operating Exp as % of Sales	30.5%	-	0.1%	-	-	30.3%
Restructuring Costs	4,449	4,449	-	-	-	-
Income from Operations	91,214	(4,449)	(1,199)	-	-	96,862
Operating Margin	11.0%	-0.5%	-0.1%	-	-	11.7%
Total Other Expense	(4,534)	-	-	-	-	(4,534)
Income before provision for income taxes	86,680	(4,449)	(1,199)	-	-	92,328
Provision for income taxes	20,803	(922)	(249)	-	-	21,974
Net income	65,877	(3,527)	(950)	-	-	70,354
Net income attributable to noncontrolling interest	(57)	-	-	-	-	(57)
Net income attributable to MSC	<u>\$ 65,934</u>	<u>\$ (3,527)</u>	<u>\$ (950)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,411</u>
Net income per common share:						
Diluted	<u>\$ 1.18</u>	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1.26</u>

⁽¹⁾ Legal and acquisition costs incurred during the fourth fiscal quarter includes \$180 related to the impairment of prepaid PPE and 1,019 related to the acquisitions of Wm. F. Hurst Co., LLC and the outsourcing and logistics business of TAC Insumos Industriales, S. de R.L. de C.V. and certain of its affiliates.

*Individual amounts may not agree to the total due to rounding

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Year Ended August 28, 2021
(dollars in thousands, except percentages and per share data)

	GAAP Financial Measure					Non-GAAP Financial Measure	
	Total MSC	Inventory Write-down	Items Affecting Comparability			Adjusted Total MSC	
			Restructuring Costs	Impairment Loss, net	Legal and Acquisition Costs ⁽¹⁾		
Net Sales	\$ 3,243,224	\$ -	\$ -	\$ -	\$ -	\$ 3,243,224	
Cost of Goods Sold	1,909,709	30,091	-	-	-	1,879,618	
Gross Profit	1,333,515	(30,091)	-	-	-	1,363,606	
Gross Margin	41.1%	-0.9%	-	-	-	42.0%	
Operating Expenses	994,468	-	-	-	2,620	991,848	
Operating Exp as % of Sales	30.7%	-	-	-	0.1%	30.6%	
Impairment Loss, net	5,886	-	-	5,886	-	-	
Restructuring Costs	31,392	-	31,392	-	-	-	
Income from Operations	301,769	(30,091)	(31,392)	(5,886)	(2,620)	371,758	
Operating Margin	9.3%	-0.9%	-1.0%	-0.2%	-0.1%	11.5%	
Total Other Expense	(13,390)	-	-	-	-	(13,390)	
Income before provision for income taxes	288,379	(30,091)	(31,392)	(5,886)	(2,620)	358,368	
Provision for income taxes	70,442	(7,309)	(7,625)	(1,430)	(636)	87,442	
Net income	217,937	(22,782)	(23,767)	(4,456)	(1,984)	270,926	
Net income attributable to noncontrolling interest	1,030	-	-	-	-	1,030	
Net income attributable to MSC	<u>\$ 216,907</u>	<u>\$ (22,782)</u>	<u>\$ (23,767)</u>	<u>\$ (4,456)</u>	<u>\$ (1,984)</u>	<u>\$ 269,896</u>	
Net income per common share:							
Diluted	<u>\$ 3.87</u>	<u>\$ (0.41)</u>	<u>\$ (0.42)</u>	<u>\$ (0.08)</u>	<u>\$ (0.04)</u>	<u>\$ 4.81</u>	

⁽¹⁾ Legal and acquisition costs incurred during fiscal year 2021 include \$1,601 related to the impairment of prepaid PPE and \$1,019 related to the acquisitions of Wm. F. Hurst Co., LLC and the outsourcing and logistics business of TAC Insumos Industriales, S. de R.L. de C.V. and certain of its affiliates.

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

	GAAP Financial Measure		Items Affecting Comparability		Non-GAAP Financial Measure	
	Total MSC		Restructuring Costs		Adjusted Total MSC	
	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended	Thirteen Weeks Ended	Year Ended
	August 29, 2020	August 29, 2020	August 29, 2020	August 29, 2020	August 29, 2020	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 Expenses	227,034	975,553	-	-	227,034	975,553
Operating Exp as % of Sales	30.4%	30.6%	-	-	30.4%	30.6%
Restructuring Costs	11,158	17,029 ⁽¹⁾	11,158	17,029 ⁽¹⁾	-	-
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 attributable to noncontrolling interest	140	641	-	-	140	641
Net income attributable to MSC	\$ 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 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.

*Individual amounts may not agree to the total due to rounding

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Years Ended August 28, 2021 and August 29, 2020
(dollars in thousands, except percentages)

	Fiscal Year Ended August 28, 2021	Fiscal Year Ended August 29, 2020
(a) Net income attributable to MSC	\$ 216,907	\$ 251,117
NOPAT		
Income from Operations (twelve-month trailing)	301,769	350,740
Effective tax rate	24.4%	24.7%
(b) Non-GAAP NOPAT	228,056	264,177
(c) Adjusted Non-GAAP NOPAT ⁽¹⁾	280,949	277,005
Invested Capital		
Total MSC Industrial shareholders' equity	\$ 1,150,871	\$ 1,314,945
Current portion of debt including obligations under finance leases	202,433	122,248
Long-term debt including obligations under finance leases	583,616	497,018
Total Debt	786,049	619,266
Cash and cash equivalents	40,536	125,211
Net debt	745,513	494,055
Invested capital	1,896,384	1,809,000
(d) Average invested capital (thirteen-month trailing average)	1,823,088	1,876,934
(e) Adjusted average invested capital (thirteen-month trailing average)	1,829,147	1,878,711
(a)/(d) Net income to Average invested capital	11.9%	13.4%
(b)/(d) Non-GAAP ROIC	12.5%	14.1%
(c)/(e) Adjusted Non-GAAP ROIC	15.4%	14.7%

⁽¹⁾ Adjusted Non-GAAP NOPAT excludes \$31.4 million of restructuring costs, \$30.1 million PPE-related impairment, a \$5.9 million impairment charge and \$2.6 million of other charges, net of an associated tax benefit of \$17.1 million.