

## **Non-GAAP Financial Measures**

To supplement MSC'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 free cash flow ("FCF"), 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 loss (prior year), restructuring costs, legal costs for impairment of prepaid PPE during fiscal year 2021, 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.

- ***Free Cash Flow***

FCF is a non-GAAP financial measure. FCF is used in addition to and in conjunction with results presented in accordance with 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 weeks ended November 27, 2021 and November 28, 2020, respectively is shown below.

- ***Results Excluding Impairment Loss (prior year), Restructuring Costs, Legal Costs, and Other Related Costs and Tax Effects***

In calculating non-GAAP financial measures, we exclude impairment loss (prior year), restructuring costs, legal costs for impairment of prepaid PPE during fiscal year 2021, 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 Financial Information  
 Thirteen Weeks Ended November 27, 2021 and November 28, 2020  
 (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	
November 27, 2021	November 28, 2020	November 27, 2021	November 28, 2020	November 27, 2021	November 28, 2020
\$ 57,804	\$ 103,230	\$ (15,262)	(7,893)	\$ 42,542	\$ 95,337

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Thirteen Weeks Ended November 27, 2021  
(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
Net Sales	\$ 848,547	\$ -	\$ 848,547
Cost of Goods Sold	495,951	-	495,951
Gross Profit	352,596	-	352,596
Gross Margin	41.6%	-	41.6%
Operating Expenses	256,581	-	256,581
Operating Exp as % of Sales	30.2%	-	30.2%
Restructuring Costs	5,283	5,283	-
Income from Operations	90,732	(5,283)	96,015
Operating Margin	10.7%	-0.6%	11.3%
Total Other Expense	(4,122)	-	(4,122)
Income before provision for income taxes	86,610	(5,283)	91,893
Provision for income taxes	20,353	(1,334)	21,687
Net income	66,257	(3,949)	70,206
Net income attributable to noncontrolling interest	190	-	190
Net income attributable to MSC	\$ 66,067	\$ (3,949)	\$ 70,016
Net income per common share:			
Diluted	\$ 1.18	\$ (0.07)	\$ 1.25

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

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Thirteen Weeks Ended November 28, 2020  
(In thousands, except percentages and per share data)

	GAAP Financial Measure	Items Affecting Comparability			Non-GAAP Financial Measure
	Total MSC	Restructuring Costs	Impairment Loss	Legal Costs <sup>(1)</sup>	Adjusted Total MSC
Net Sales	\$ 771,904	\$ -	\$ -	\$ -	771,904
Cost of Goods Sold	448,586	-	-	-	448,586
Gross Profit	323,318	-	-	-	323,318
Gross Margin	41.9%	-	-	-	41.9%
Operating Expenses	238,705	-	-	293	238,412
Operating Exp as % of Sales	30.9%	-	-	0.0%	30.9%
Impairment Loss	26,726	-	26,726	-	-
Restructuring Costs	3,979	3,979	-	-	-
Income from Operations	53,908	(3,979)	(26,726)	(293)	84,906
Operating Margin	7.0%	-0.5%	-3.5%	0.0%	11.0%
Total Other Expense	(2,684)	-	-	-	(2,684)
Income before provision for income taxes	51,224	(3,979)	(26,726)	(293)	82,222
Provision for income taxes	12,447	(967)	(6,494)	(72)	19,980
Net income	38,777	(3,012)	(20,232)	(221)	62,242
Net income attributable to noncontrolling interest	323	-	-	-	323
Net income attributable to MSC	\$ 38,454	\$ (3,012)	\$ (20,232)	\$ (221)	\$ 61,919
Net income per common share:					
Diluted	\$ 0.69	\$ (0.05)	\$ (0.36)	\$ (0.00)	\$ 1.11

<sup>(1)</sup> Legal costs incurred relate to the impairment of prepaid PPE during fiscal year 2021.

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