Fiscal First Quarter 2022 Earnings Presentation

DECEMBER 22, 2021

MSC

Cautionary Note Regarding Forward-Looking Statements

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 future 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 return on invested capital, are forward-looking statements. The words “will,” “may,” “believes,” “anticipates,” “thinks,” “expects,” “estimates,” “plans,” “intends,” and similar expressions are intended to identify 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 impact of the COVID-19 pandemic on our sales, operations and supply chain; general economic conditions in the markets in which we operate, including conditions resulting from the COVID-19 pandemic; 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 being a spot-buy supplier to a mission-critical partner to our customers; our ability to realize the expected cost savings and benefits from our restructuring activities and structural cost reductions; the retention of key personnel; volatility in commodity and energy prices; the credit risk of our customers, including changes in credit risk as a result of the COVID-19 pandemic; the 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, labor shortages or other business interruptions (including those due to extreme weather conditions or as a result of the COVID-19 pandemic) at transportation centers, shipping ports, our headquarters or our customer fulfillment centers; disruptions or breaches of our information technology systems, or violations of data privacy laws; the retention of qualified sales and customer service personnel and metalworking specialists; the risk of loss of key suppliers or contractors or key brands or supply chain disruptions, including due to import restrictions resulting from the COVID-19 pandemic; changes to governmental trade policies, including the impact from significant import restrictions or tariffs; risks related to opening or expanding our customer fulfillment centers; our ability to estimate the cost of healthcare claims incurred under our self-insurance plan; 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; the interest rate uncertainty due to the London InterBank Offered Rate (“LIBOR”) reform; the failure to comply with applicable environmental, health and safety laws and regulations, including government action in response to the COVID-19 pandemic, and other laws applicable to our business; the outcome of government or regulatory proceedings or future litigation; goodwill and intangible assets recorded resulting from our acquisitions could be impaired; our common stock price may be volatile due to factors outside of our control; and our principal shareholders exercise significant control over us, which may result in our taking actions or failing to take actions which our other shareholders do not prefer. 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 our Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively, and in the other reports and documents that we file with the U.S. Securities and Exchange Commission. We expressly disclaim any obligation to update any of these forward-looking statements, except to the extent required by applicable law.

Fiscal First Quarter 2022 Overview

Growth initiatives and macro environment drove nearly 10% sales growth and market share capture of ~500 bps above the Industrial Production Index

Gross margins declined versus the prior year; countermeasures implemented to maintain full year goal of flat gross margins over prior year

Reduced operating expenses as a percentage of sales and improved operating margin year over year*

Both GAAP and Adjusted EPS achieved strong double-digit growth**

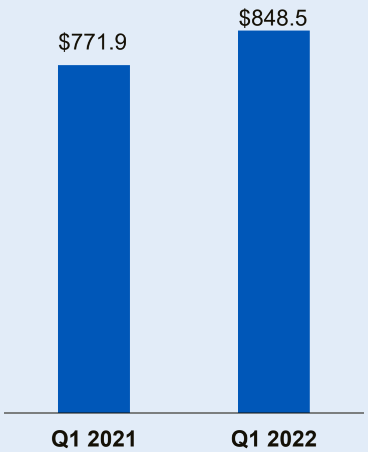
Solid start to achieving full year fiscal 2022 incremental margin target of 20%; as of now, trending towards high end of annual operating margin framework

* See appendix for more information about Mission Critical.

** Represents a non-GAAP financial measure. See appendix for non-GAAP reconciliations.

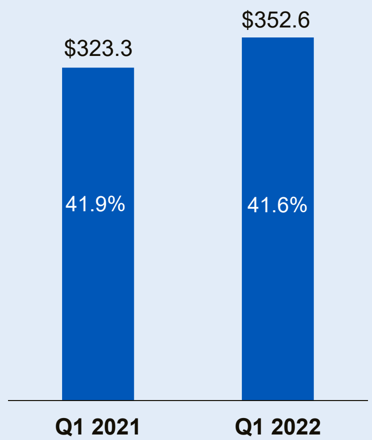
Fiscal First Quarter 2022 Reported Results

Net Sales
(millions)



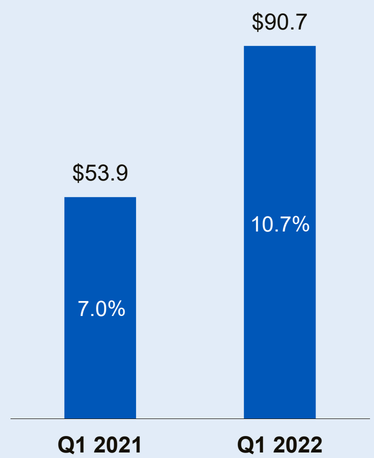
- Average Daily Sales (ADS) increased 9.9%, driven by Vending, In-Plants and MSCDirect.com sales
- Safety and janitorial product sales declined 12% YoY
- Sales for the rest of the business improved 15% YoY

Gross Profit
(millions and % of sales)



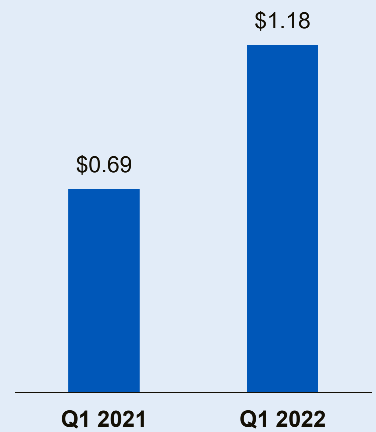
- 30 bps decline in gross profit margin reflects a positive price/cost spread that partially mitigated mix headwinds
- Countermeasures implemented to maintain full year goal of gross margin roughly flat with prior year

Operating Profit
(millions and % of sales)



- Operating profit includes $5.3 million of restructuring and other costs in Q1 2022
- Operating profit includes $4.3 million of restructuring and other costs and $26.7 million of impairment charges in the prior year
- Operating margin up 370 bps due to productivity initiatives & prior year impairment charge not repeating

Earnings
(per diluted share)



- Reflects effective tax rate of 24.3% in Q1 2021 and 23.5% in Q1 2022
- Q1 2022 EPS includes approximately $0.07 impact from restructuring and other costs
- Q1 2021 EPS includes approximately $0.36 impact of asset impairment charge and $0.05 impact of restructuring & other costs

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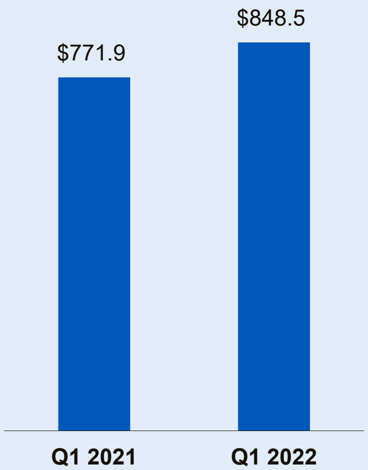
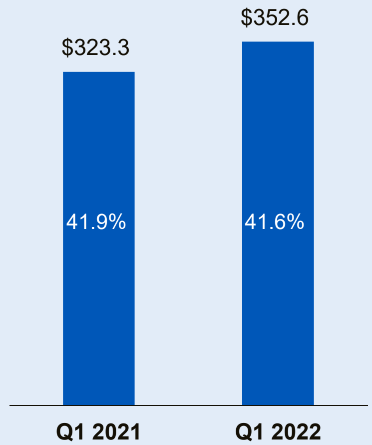
Fiscal First Quarter 2022 Adjusted Results*

Net Sales
(millions)



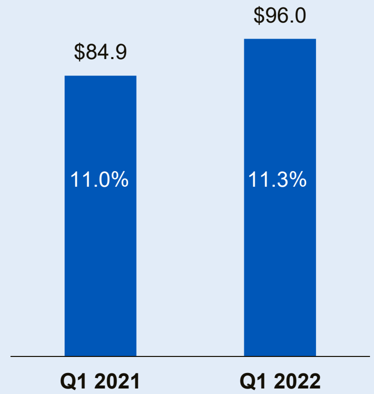
- Average Daily Sales (ADS) increased 9.9%, driven by Vending, In-Plants and MSCDirect.com sales
- Safety and janitorial product sales declined 12% YoY
- Sales for the rest of the business improved 15% YoY

Gross Profit
(millions and % of sales)



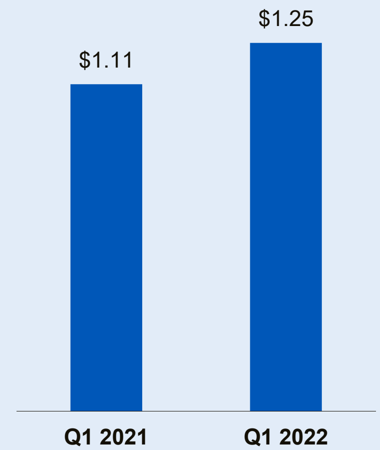
- 30 bps decline in gross profit margin reflects a positive price/cost spread that partially mitigated mix headwinds
- Countermeasures implemented to maintain full year goal of gross margin roughly flat with prior year

Adj. Operating Profit
(millions and % of sales)



- Adjusted operating profit in Q1 2022 driven by higher sales and productivity initiatives. Excludes $5.3 million in restructuring and other costs
- Adjusted operating profit in Q1 2021 excludes $26.7 million in asset impairment charge and $4.3 million in restructuring and other costs

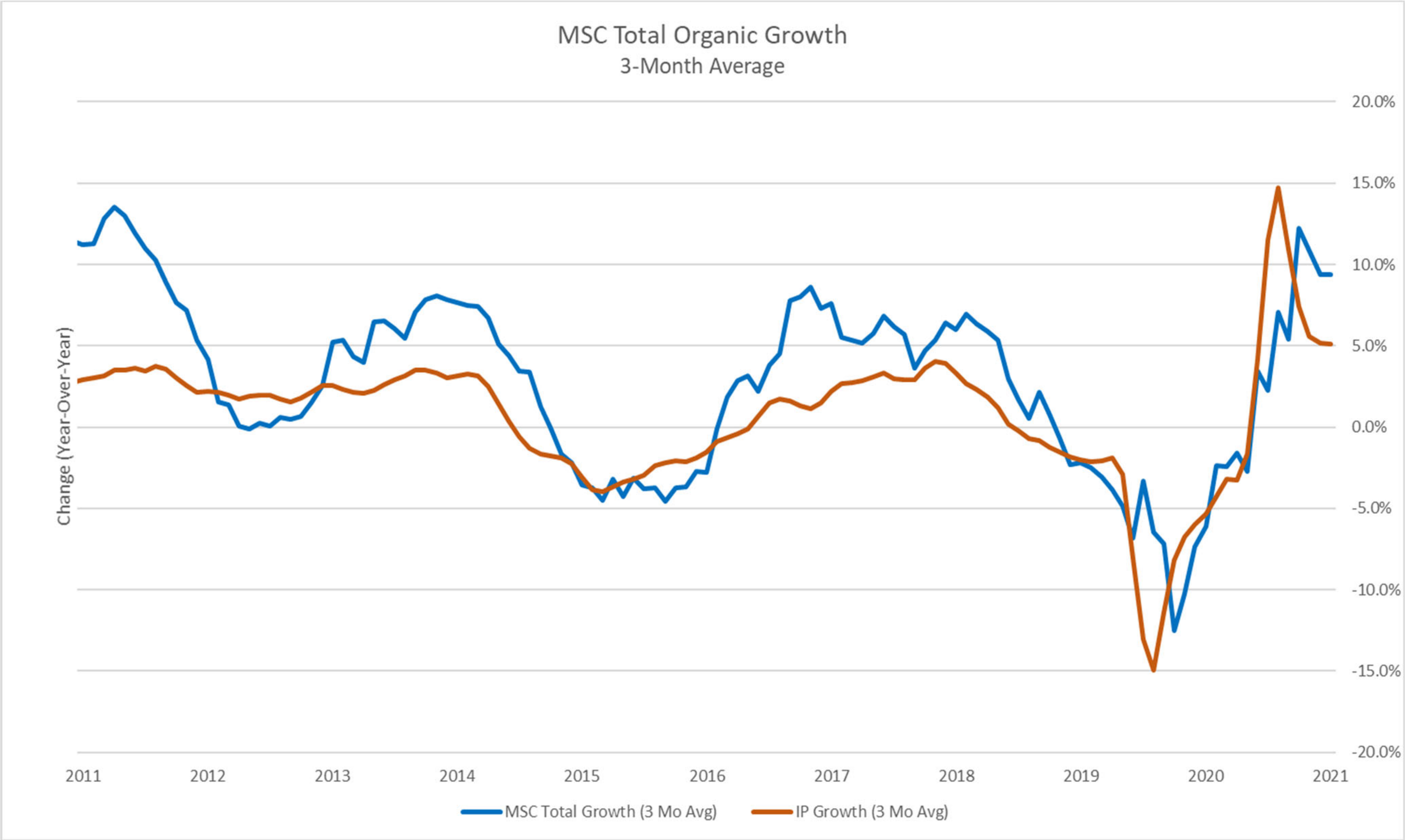
Adj. Earnings
(per diluted share)



- Reflects adjusted effective tax rate of 24.3% in Q1 2021 and 23.6% in Q1 2022
- Q1 2022 adjusted EPS excludes $0.07 impact from restructuring and other costs
- Q1 2021 adjusted EPS excludes $0.36 impact of impairment charge and $0.05 of restructuring & other costs

* Represents a non-GAAP financial measure. See appendix for non-GAAP reconciliations. Individual amounts may not agree to the total due to rounding.

Industrial Production Index (IP)



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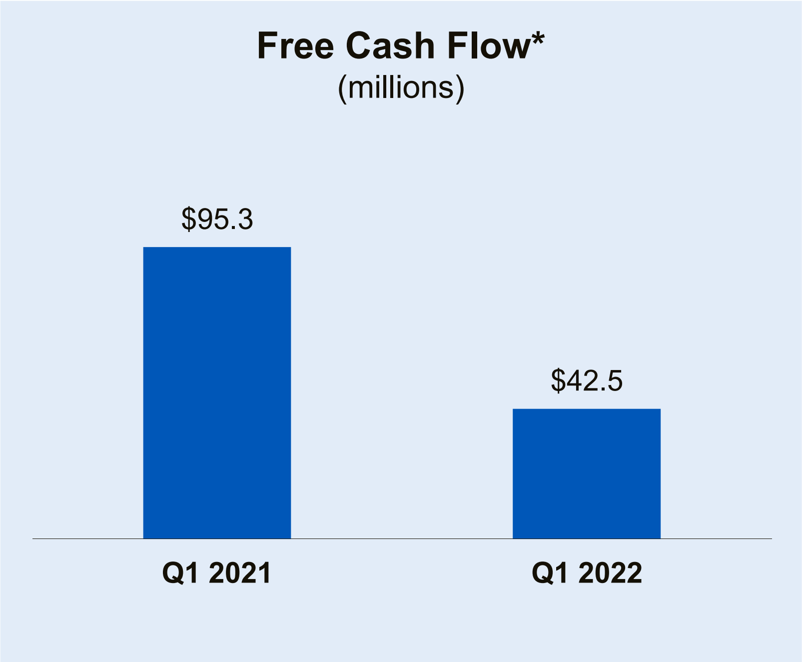
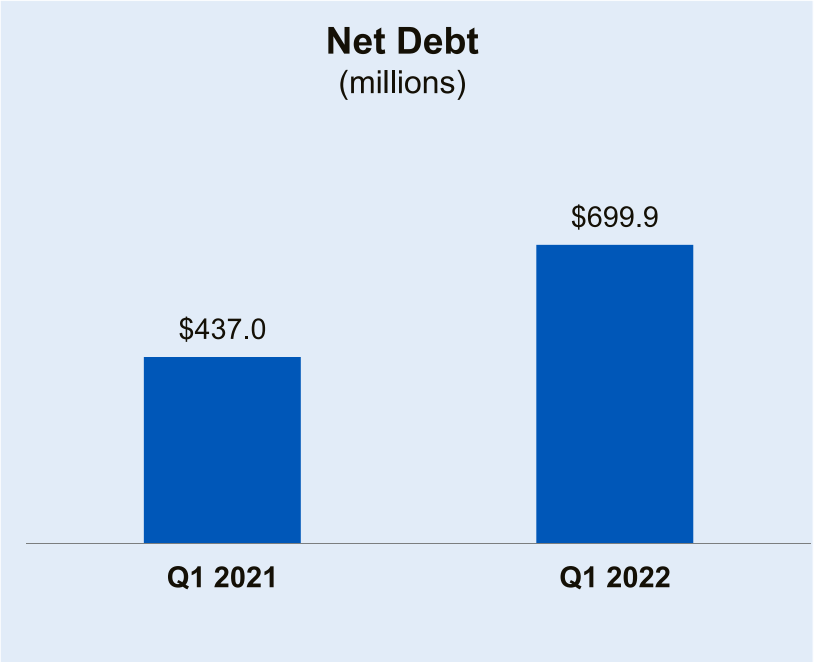
Fiscal First Quarter 2022 Balance Sheet and Liquidity Position



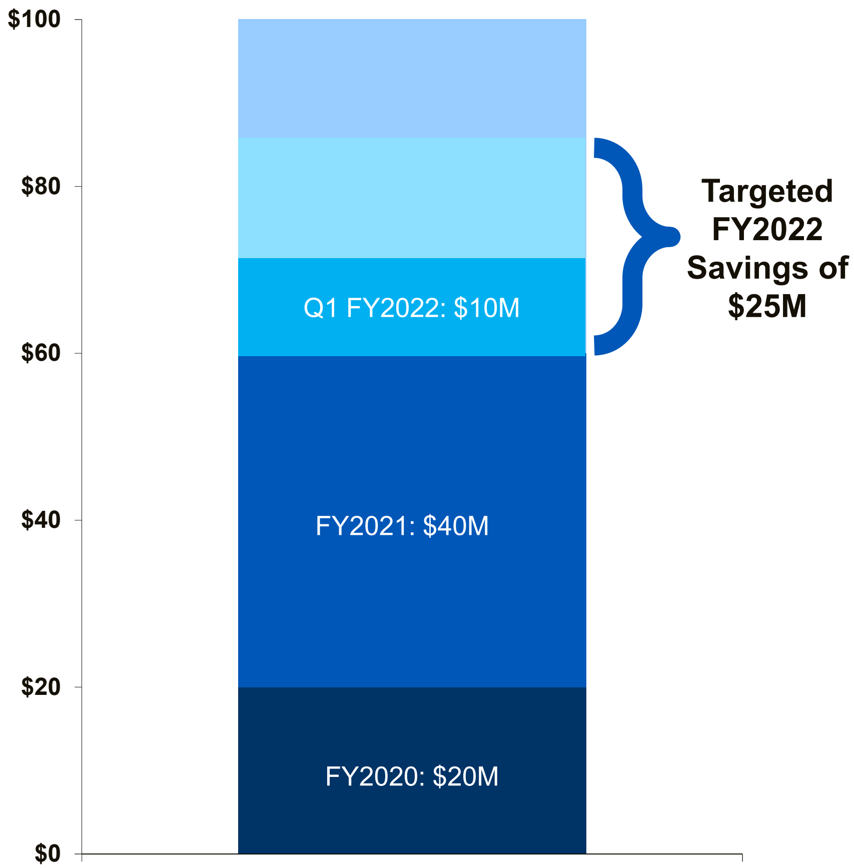


- Free cash flow decline reflects increases in working capital related to sales growth.
- Net debt increase due to increased borrowings under our revolving credit facility to support working capital needs mentioned above as well as special dividend paid in Q2 2021.

* Represents a non-GAAP financial measure. See appendix for non-GAAP reconciliations.

Mission Critical: Strong Progress on Cost Savings

Total Gross Savings Target:
>$100M
by end of FY23 versus FY19



KEY AREAS

Sales and service

Supply chain

General & Administrative

- Established FY22 targets of $25M in savings and $15M in investments
- Solid progress of $10M savings achieved in Q1 2022
- Targeting at least $100M in total program savings by end of FY23 versus FY19
- Projected improvement in OpEx to Sales ratio of roughly 200 bps by end of FY23

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Fiscal 2022 Framework – Adjusted

ADS Growth (YoY)	Adjusted Operating Margin Range[1]
▲ High-single digits	12.0% - 12.6%
▲ Mid-single digits	11.7% - 12.3%

[1]Excludes approximately $5-10 million of expected restructuring and other related costs.

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Summary

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

Encouraged by momentum of growth initiatives as evidenced by improving results and project execution

Implementation of Mission Critical initiatives driving above market growth and improving profits faster than sales

Solid start to achieving full year fiscal 2022 incremental margin target of 20%; as of now, trending towards high end of annual operating margin framework

Appendix

Overview of Mission Critical

OBJECTIVE: Reaccelerate market share capture	**OBJECTIVE:** Grow profits faster than sales
KEY PRIORITIES	**KEY AREAS**
Solidify Metalworking; Leverage Portfolio Strength; Expand Solutions; Grow E-commerce; Diversify Customers & End Markets	Sales & Services; Supply Chain; General & Administrative
GOAL: Outgrow market by at least 400 bps over cycle	**GOAL:** Achieve high-teens ROIC by end of fiscal 2023

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Reconciliations

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.

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Reconciliations

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen Weeks Ended November 27, 2021 and November 28, 2020
(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 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

Reconciliations

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

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Reconciliations

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 [1]	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

[1] 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