

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 non-GAAP gross profit, non-GAAP operating expenses, non-GAAP income from operations, non-GAAP operating margin, non-GAAP incremental margin, non-GAAP provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude impairment loss (prior year), inventory write-downs (prior year), legal costs for impairment of prepaid PPE (prior year), restructuring and other 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.

- ***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 and twenty-six-week periods ended February 26, 2022 and February 27, 2021, respectively, is shown below.

- ***Results Excluding Impairment Loss (prior year), Inventory Write-downs (prior year), Legal Costs (prior year), Restructuring and Other Costs, and Other Charges***

In calculating non-GAAP financial measures, we exclude impairment loss (prior year), inventory write-downs (prior year), legal costs for impairment of prepaid PPE (prior year), restructuring and other 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 DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen and Twenty-Six Weeks Ended February 26, 2022 and February 27, 2021
(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 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
\$ (383)	\$ 15,704	\$ (15,917)	\$ (12,061)	\$ (16,300)	\$ 3,643

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 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021	February 26, 2022	February 27, 2021
\$ 57,421	\$ 118,934	\$ (31,179)	\$ (19,954)	\$ 26,242	\$ 98,980

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen and Twenty-Six Weeks Ended February 26, 2022
(In thousands, except percentages and per share data)

	GAAP Financial Measure		Items Affecting Comparability		Non-GAAP Financial Measure	
	Total MSC Industrial		Restructuring and Other Costs		Adjusted Total MSC Industrial	
	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
Net Sales	\$ 862,522	\$ 1,711,069	\$ -	\$ -	\$ 862,522	\$ 1,711,069
Cost of Goods Sold	496,247	992,198	-	-	496,247	992,198
Gross Profit	366,275	718,871	-	-	366,275	718,871
Gross Margin	42.5%	42.0%			42.5%	42.0%
Operating Expenses	265,973	522,554	-	-	265,973	522,554
Operating Exp as % of Sales	30.8%	30.5%			30.8%	30.5%
Restructuring and Other Costs	3,134	8,417	3,134	8,417	-	-
Income from Operations	97,168	187,900	(3,134)	(8,417)	100,302	196,317
Operating Margin	11.3%	11.0%	-0.4%	-0.5%	11.6%	11.5%
Incremental Margin	78.1%	64.2%			22.4%	18.7%
Total Other Expense	(3,505)	(7,627)	-	-	(3,505)	(7,627)
Income before provision for income taxes	93,663	180,273	(3,134)	(8,417)	96,797	188,690
Provision for income taxes	23,509	43,862	(787)	(2,178)	24,296	46,040
Net income	70,154	136,411	(2,347)	(6,239)	72,501	142,650
Net income attributable to noncontrolling interest	223	413	-	-	223	413
Net income attributable to MSC Industrial	\$ 69,931	\$ 135,998	\$ (2,347)	\$ (6,239)	\$ 72,278	\$ 142,237
Net income per common share:						
Diluted	\$ 1.25	\$ 2.43	\$ (0.04)	\$ (0.11)	\$ 1.29	\$ 2.54

*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 February 27, 2021
(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 and Other 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 and Other 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>\$ -</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>\$ -</u>	<u>\$ 1.03</u>

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

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Twenty-Six Weeks Ended February 27, 2021
(In thousands, except percentages and per share data)

	GAAP Financial Measure					Non-GAAP Financial Measure
	Total MSC Industrial	Inventory Write-down	Items Affecting Comparability			Adjusted Total MSC Industrial
			Restructuring and Other Costs	Impairment Loss	Legal Costs - impairment of prepaid for PPE	
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 and Other 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>

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