

Fiscal Second Quarter 2022 Earnings Presentation

MARCH 30, 2022

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. In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances, statements involving a discussion of strategy, plans or intentions, statements about management's assumptions, projections or predictions of future events or market outlook and any other statement other than a statement of present or historical fact are forward looking statements. 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. In addition, new risks may emerge from time to time and it is not possible for management to predict such risks or to assess the impact of such risks on our business or financial results. Accordingly, future results may differ materially from historical results or from those discussed or implied by these forward looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward looking statements. These risks and uncertainties include, but are not limited to, the following: 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-buyer 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 impact of prolonged periods of low, high and rapid inflation, and fluctuations in interest rates; the credit risk of our customers, including changes in credit risk as a result of the COVID-19 pandemic, higher inflation and fluctuations in interest rates; 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 or global geopolitical conditions; changes to governmental trade or sanctions policies, including the impact from significant import restrictions or tariffs or moratoriums on economic activity with certain countries or regions; 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 Second Quarter 2022 Overview

Growth initiatives and macro environment drove 11.4% total sales growth (7.9% ADS growth); sustaining growth above the Industrial Production Index

Gross margin of 42.5%, up sequentially from 41.6% and YoY from 38.1% (42.0% on an adjusted basis in the prior year period)**

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

Both GAAP and Adjusted EPS achieved growth > 25% over prior year period**

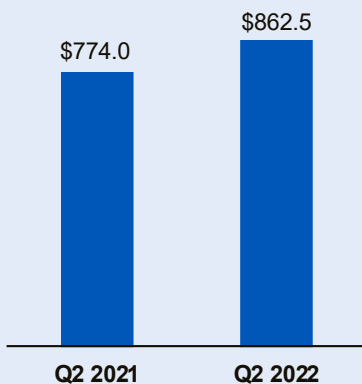
Strong execution leads to low double-digit growth and higher adjusted operating margin scenario in fiscal 2022 annual framework

* See appendix for more information about Mission Critical.

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

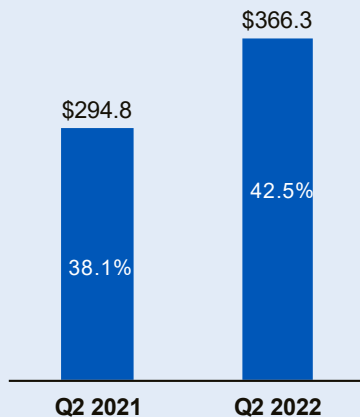
Fiscal Second Quarter 2022 Reported Results

Net Sales (millions)



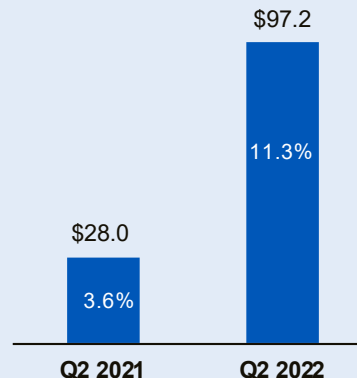
- Total sales up 11.4%, Average Daily Sales (ADS) increased 7.9%, driven by Vending, In-Plants and MSCDirect.com sales
- Safety and janitorial product sales declined 3% YoY
- Sales for the rest of the business improved 10% YoY

Gross Profit (millions and % of sales)



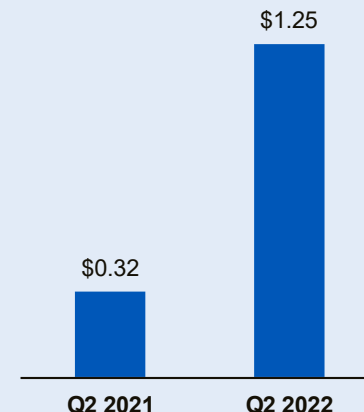
- 440 bps improvement in gross profit margin primarily due to the \$30.1 million PPE-related inventory write-down in Q2 2021
- Reflects successful gross margin countermeasures and positive price realization in Q2 2022
- On track to maintain full year gross margin at least flat with prior year

Operating Profit (millions and % of sales)



- Q2 2021 Operating profit includes \$22.3 million in restructuring and other costs and legal costs and \$30.1 million inventory write-down
- Operating margin up 770 bps driven by higher sales, productivity initiatives and prior year impairment and certain restructuring and other costs not repeating

Earnings (per diluted share)



- Reflects effective tax rate of 24.8% in Q2 2021 and 25.1% in Q2 2022
- Q2 2022 EPS includes approximately \$0.04 impact from restructuring and other costs
- Q2 2021 EPS includes approximately \$0.40 impact of PPE-related inventory write-down and \$0.30 impact of restructuring and other costs and legal costs

Fiscal Second Quarter 2022 Adjusted Results*

Net Sales

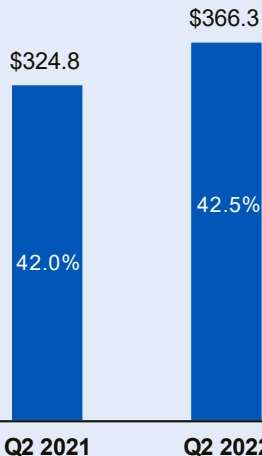
(millions)



- Total sales up 11.4%, Average Daily Sales (ADS) increased 7.9%, driven by Vending, In-Plants and MSCDirect.com sales
- Safety and janitorial product sales declined 3% YoY
- Sales for the rest of the business improved 10% YoY

Adj. Gross Profit

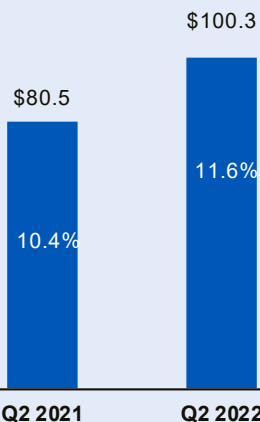
(millions and % of sales)



- 50 bps improvement in adjusted gross margin reflects successful gross margin countermeasures and positive price realization
- On track to maintain full year adjusted gross margin at least flat with prior year

Adj. Operating Profit

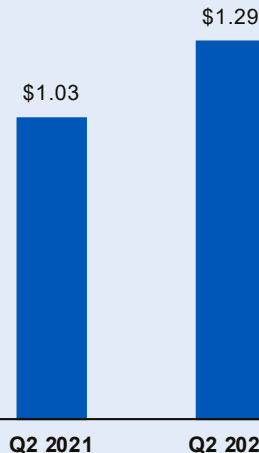
(millions and % of sales)



- Adjusted operating profit in Q2 2022 driven by higher sales, improved gross margin and productivity initiatives; excludes \$3.1 million in restructuring and other costs
- Adjusted operating profit in Q2 2021 excludes \$30.1 million in PPE-related inventory write-down and \$22.3 million in restructuring and other costs and legal costs

Adj. Earnings

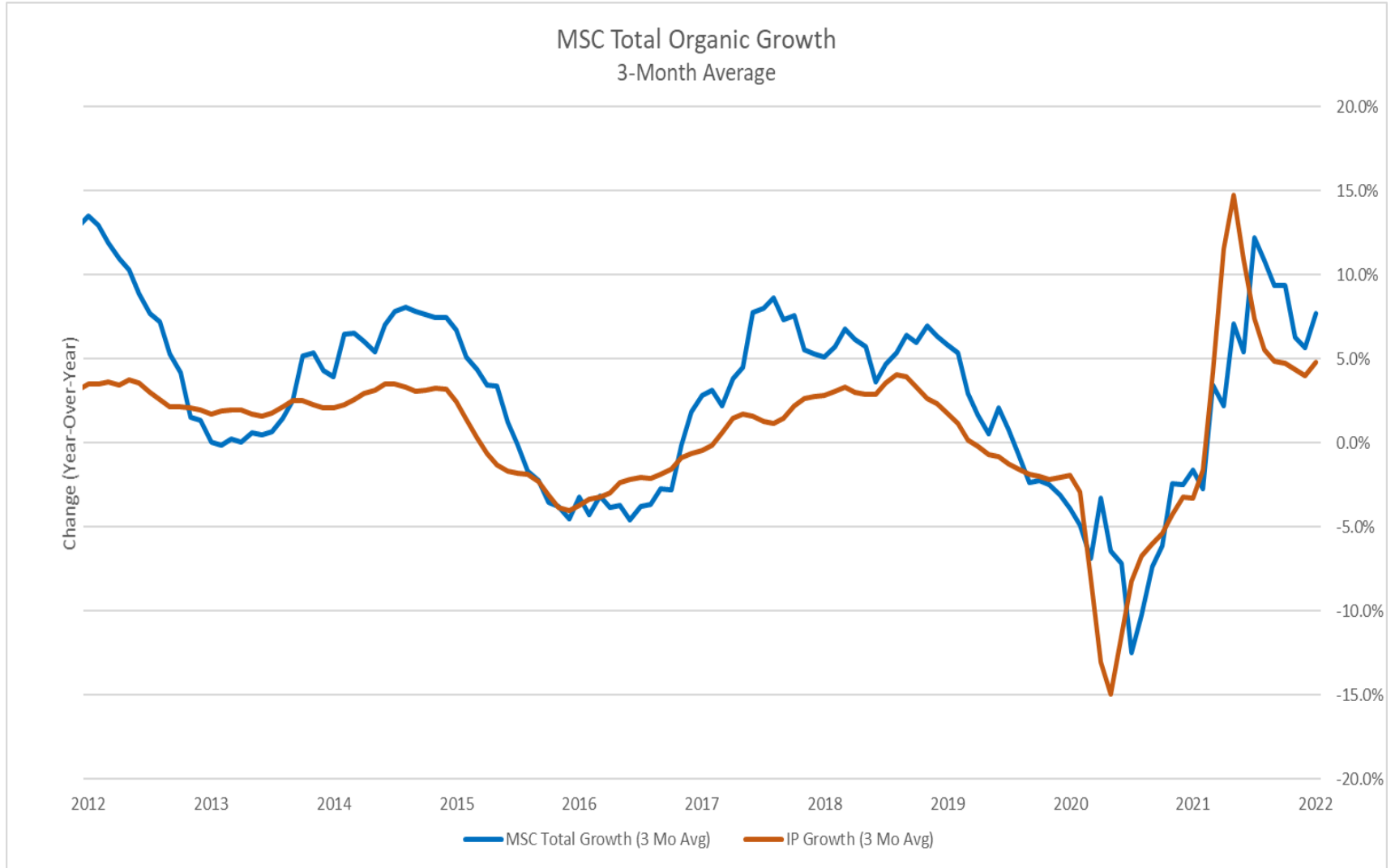
(per diluted share)



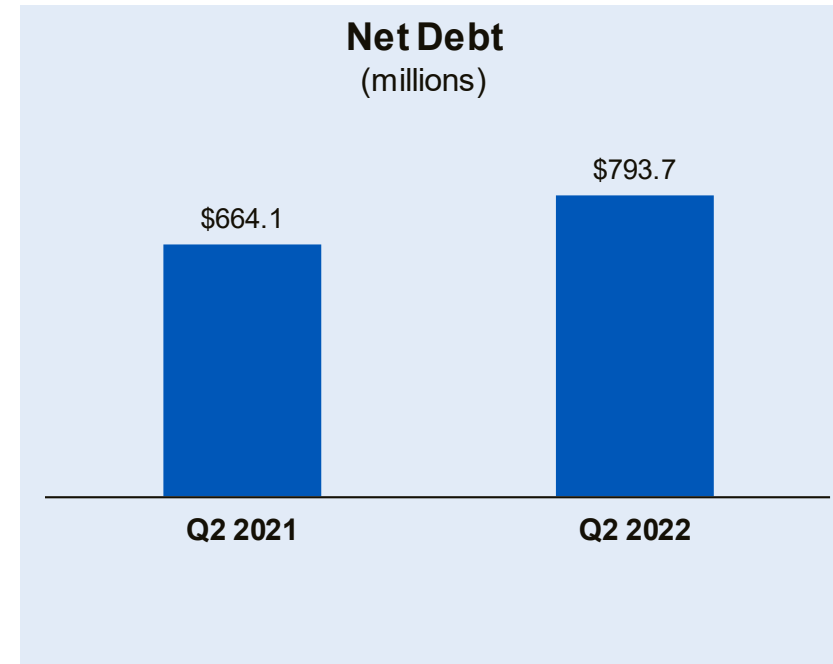
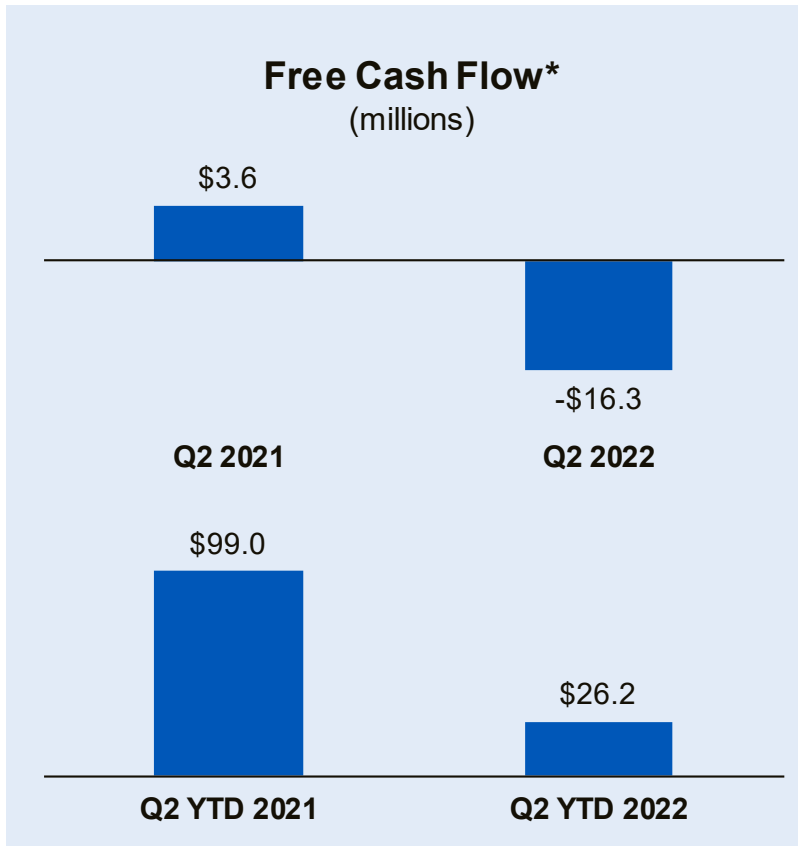
- Reflects adjusted effective tax rate of 24.7% in Q2 2021 and 25.1% in Q2 2022
- Q2 2022 adjusted EPS excludes \$0.04 impact from restructuring and other costs
- Q2 2021 adjusted EPS excludes approx. \$0.40 impact of PPE-related inventory write-down and \$0.30 impact of restructuring and other costs and legal 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)



Fiscal Second Quarter 2022 Balance Sheet and Liquidity Position

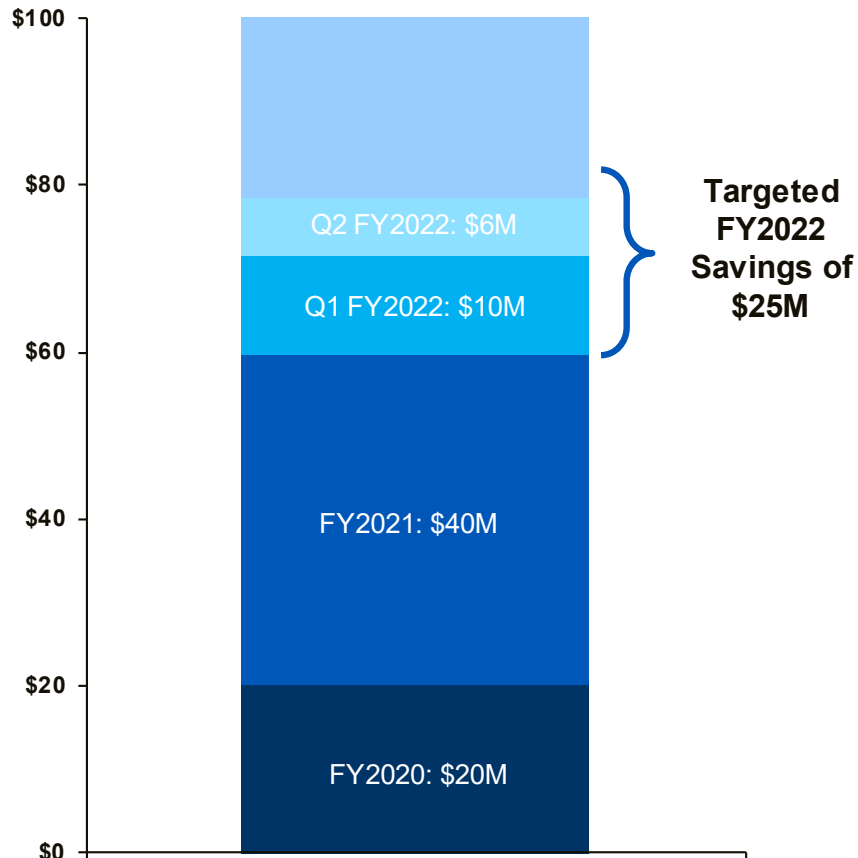


- Free cash flow decline reflects increases in working capital related to sales growth and strategic inventory investment due to supply chain challenges
- Net debt increase due to increased borrowings to support working capital needs mentioned above

* 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**

- FY22 targets of \$25M savings and \$15M investments
- Solid progress of \$16M savings achieved in first half of FY22
- 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

Fiscal 2022 Framework – Adjusted

ADS Growth (YoY)	Adjusted Operating Margin Range ¹
 Low-double digits	12.5% - 13.1%
 High-single digits	12.0% - 12.6%
 Mid-single digits	11.7% - 12.3%

¹Excludes approximately \$5- 10 million of expected restructuring and other costs.

Summary

Laser focused on executing in a high growth, yet challenging supply chain environment to exceed our customers expectations

Growth initiatives in high gear and strategy to deliver customer productivity improvements are resonating

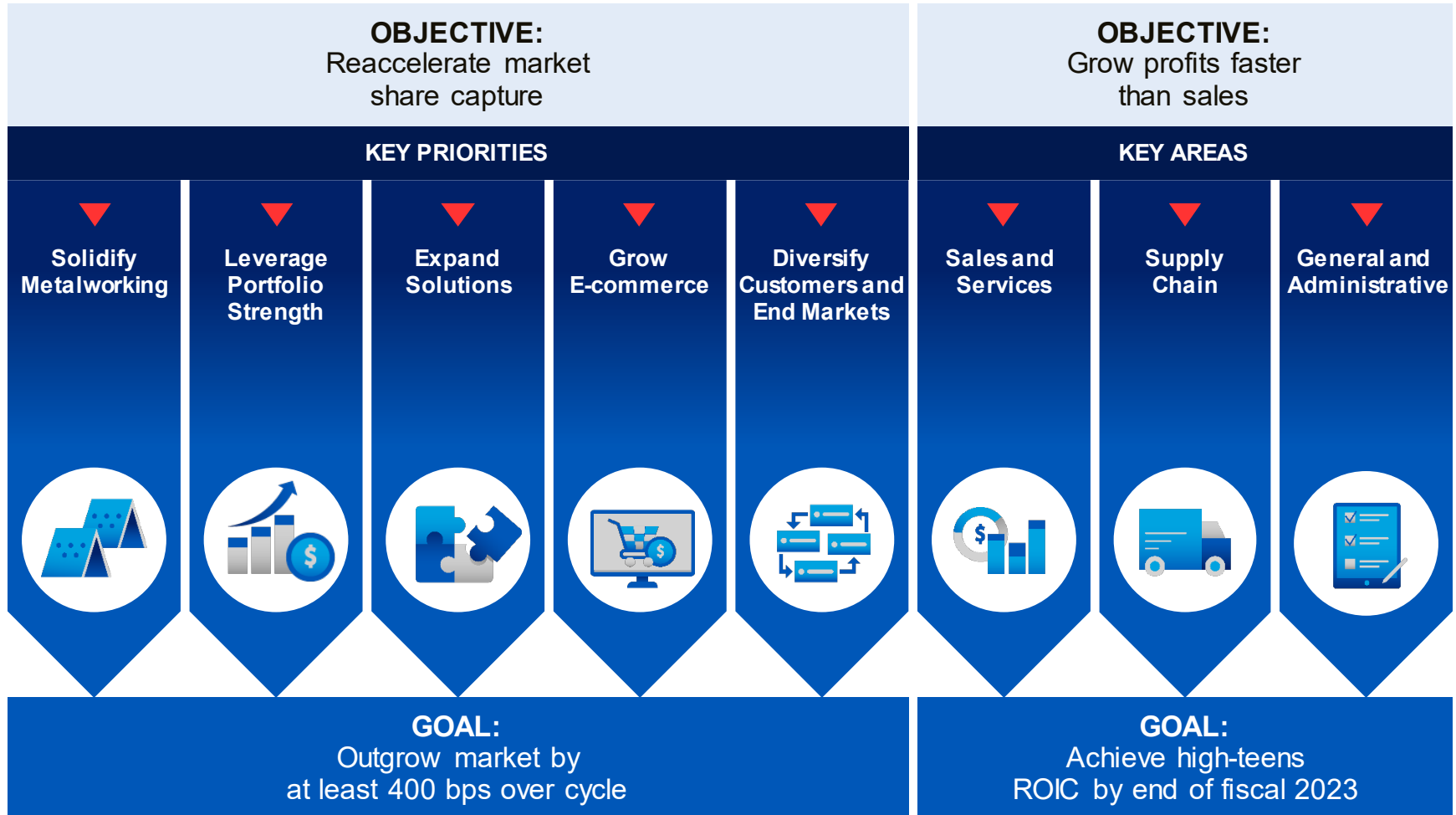
Mission Critical initiatives continue driving above market growth and > 20% adjusted incremental margins

Solid start to first half of fiscal 2022 and upside opportunity as evidenced with new higher scenario for annual adjusted operating margin framework



Appendix

Overview of Mission Critical



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 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.

Reconciliations

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

Reconciliations

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.



Reconciliations

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		Items Affecting Comparability			Non-GAAP Financial Measure
	Total MSC Industrial	Inventory Write-down	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	\$ 18,085	\$ (22,659)	\$ (16,276)	\$ (547)	\$ 57,567	
Net income per common share:						
Diluted	\$ 0.32	\$ (0.40)	\$ (0.29)	\$ (0.01)	\$ 1.03	

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



Reconciliations

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		Items Affecting Comparability			Non-GAAP Financial Measure
	Total MSC Industrial	Inventory Write-down	Restructuring and Other Costs	Impairment Loss	Legal Costs - impairment of prepaid for PPE	Adjusted Total MSC Industrial
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	\$ 56,539	\$ (22,659)	\$ (19,272)	\$ (20,125)	\$ (768)	\$ 119,363
Net income per common share:						
Diluted	\$ 1.01	\$ (0.40)	\$ (0.34)	\$ (0.36)	\$ (0.01)	\$ 2.13

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



