

## **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 fiscal quarters and years ended September 3, 2022 and August 28, 2021, 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 and Loss Recovery (prior year), Inventory Write-downs (prior year), Legal Costs (prior year), Gain on Sale of Property, Acquisition-Related Costs and Restructuring and Other Costs***

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 incremental margin, non-GAAP provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude impairment loss and loss recovery (prior year), inventory write-downs (prior year), legal costs for impairment of prepaid PPE (prior year), gain on sale of property, acquisition-related costs, restructuring and other 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 loss and loss recovery (prior year), inventory write-downs (prior year), legal costs for impairment of prepaid PPE (prior year), gain on sale of property, acquisition-related costs, restructuring and other 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 September 3, 2022 and August 28, 2021  
(dollars in thousands)

GAAP Financial Measure		Items Affecting Comparability		Non-GAAP Financial Measure	
Fourteen Weeks Ended	Thirteen Weeks Ended	Fourteen Weeks Ended	Thirteen Weeks Ended	Fourteen Weeks Ended	Thirteen Weeks Ended
September 3, 2022	August 28, 2021	September 3, 2022	August 28, 2021	September 3, 2022	August 28, 2021
Net cash provided by operating activities		Expenditures for property, plant and equipment		Free cash flow	
\$ 110,881	\$ 85,102	\$ (16,430)	\$ (16,148)	\$ 94,451	\$ 68,954

GAAP Financial Measure		Items Affecting Comparability		Non-GAAP Financial Measure	
Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended	Fiscal Year Ended
September 3, 2022	August 28, 2021	September 3, 2022	August 28, 2021	September 3, 2022	August 28, 2021
Net cash provided by operating activities		Expenditures for property, plant and equipment		Free cash flow	
\$ 246,183	\$ 224,462	\$ (61,373)	\$ (53,746)	\$ 184,810	\$ 170,716

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Fourteen Weeks Ended September 3, 2022  
(In thousands, except percentages and per share data)

	GAAP Financial Measure				Non-GAAP Financial Measure	
	Total MSC Industrial	Items Affecting Comparability			Adjusted Total MSC Industrial	
		Restructuring and Other Costs	Gain on Sale of Property	Acquisition-Related Costs		
Net Sales	\$ 1,022,245	\$ -	\$ -	\$ -	\$ 1,022,245	
Cost of Goods Sold	594,017	-	-	-	594,017	
Gross Profit	428,228	-	-	-	428,228	
Gross Margin	41.9%	-	-	-	41.9%	
Operating Expenses	290,262	-	-	665	289,597	
Operating Exp as % of Sales	28.4%	-	-	0.1%	28.3%	
Restructuring and Other Costs	4,121	4,121	-	-	-	
Gain on Sale of Property	(10,132)	-	(10,132)	-	-	
Income from Operations	143,977	(4,121)	10,132	(665)	138,631	
Operating Margin	14.1%	-0.4%	1.0%	-0.1%	13.6%	
Incremental Margin	27.6%				21.8%	
Total Other Expense	(6,252)	-	-	-	(6,252)	
Income before provision for income taxes	137,725	(4,121)	10,132	(665)	132,379	
Provision for income taxes	33,371	(1,080)	2,655	(174)	31,970	
Net income	104,354	(3,041)	7,477	(491)	100,409	
Net income attributable to noncontrolling interest	223	-	-	-	223	
Net income attributable to MSC Industrial	\$ 104,131	\$ (3,041)	\$ 7,477	\$ (491)	\$ 100,186	
Net income per common share:						
Diluted	\$ 1.86	\$ (0.06)	\$ 0.14	\$ (0.01)	\$ 1.79	

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

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Fiscal Year Ended September 3, 2022  
(In thousands, except percentages and per share data)

	GAAP Financial Measure				Non-GAAP Financial Measure	
	Total MSC Industrial	Items Affecting Comparability		Adjusted Total MSC Industrial		
		Restructuring and Other Costs	Gain on Sale of Property	Acquisition-Related Costs		
Net Sales	\$ 3,691,893	\$ -	\$ -	\$ -	\$ 3,691,893	
Cost of Goods Sold	2,133,645	-	-	-	2,133,645	
Gross Profit	1,558,248	-	-	-	1,558,248	
Gross Margin	42.2%	-	-	-	42.2%	
Operating Expenses	1,083,862	-	-	876	1,082,986	
Operating Exp as % of Sales	29.4%	-	-	0.0%	29.3%	
Restructuring and Other Costs	15,805	15,805	-	-	-	
Gain on Sale of Property	(10,132)	-	(10,132)	-	-	
Income from Operations	468,713	(15,805)	10,132	(876)	475,262	
Operating Margin	12.7%	-0.4%	0.3%	0.0%	12.9%	
Incremental Margin	37.2%					23.1%
Total Other Expense	(17,581)	-	-	-	(17,581)	
Income before provision for income taxes	451,132	(15,805)	10,132	(876)	457,681	
Provision for income taxes	110,650	(4,016)	2,574	(223)	112,315	
Net income	340,482	(11,789)	7,558	(653)	345,366	
Net income attributable to noncontrolling interest	696	-	-	-	696	
Net income attributable to MSC Industrial	\$ 339,786	\$ (11,789)	\$ 7,558	\$ (653)	\$ 344,670	
Net income per common share:						
Diluted	\$ 6.06	\$ (0.21)	\$ 0.14	\$ (0.01)	\$ 6.15	

\*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 August 28, 2021  
(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	Legal and Acquisition Costs <sup>(1)</sup>	Adjusted Total MSC Industrial	
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 and Other 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 Industrial	\$ 65,934	\$ (3,527)	\$ (950)	\$ 70,411	
Net income per common share:					
Diluted	\$ 1.18	\$ (0.06)	\$ (0.02)	\$ 1.26	

<sup>(1)</sup>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  
Fiscal Year Ended August 28, 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, net	Legal and Acquisition Costs <sup>(1)</sup>		
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 and Other 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 Industrial	<u>\$ 216,907</u>	<u>\$ (22,782)</u>	<u>\$ (23,767)</u>	<u>\$ (4,456)</u>	<u>\$ (1,984)</u>	<u>\$ -</u>	<u>\$ 269,896</u>
<b>Net income per common share:</b>							
Diluted	<u>\$ 3.87</u>	<u>\$ (0.41)</u>	<u>\$ (0.42)</u>	<u>\$ (0.08)</u>	<u>\$ (0.04)</u>	<u>\$ -</u>	<u>\$ 4.81</u>

<sup>(1)</sup> 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.

\*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 September 3, 2022 and August 28, 2021  
(dollars in thousands, except percentages)

	Fiscal Year Ended September 3, 2022	Fiscal Year Ended August 28, 2021
(a) Net income attributable to MSC Industrial	\$ 339,786	\$ 216,907
<b>NOPAT</b>		
Income from Operations (twelve-month trailing)	468,713	301,769
Effective tax rate	24.5%	24.4%
(b) Non-GAAP NOPAT	353,751	228,056
(c) Adjusted Non-GAAP NOPAT	358,664 <sup>(1)</sup>	280,949 <sup>(2)</sup>
<b>Invested Capital</b>		
Total MSC Industrial shareholders' equity	\$ 1,350,434	\$ 1,150,871
Current portion of debt including obligations under finance leases	325,680	202,433
Long-term debt including obligations under finance leases	468,912	583,616
Total Debt	794,592	786,049
Cash and cash equivalents	43,537	40,536
Net debt	751,055	745,513
Invested capital	2,101,489	1,896,384
(d) Average invested capital (thirteen-month trailing average)	1,999,142	1,823,088
(e) Adjusted average invested capital (thirteen-month trailing average)	1,999,810 <sup>(1)</sup>	1,829,147 <sup>(2)</sup>
(a)/(d) Net income to Average invested capital	17.0%	11.9%
(b)/(d) Non-GAAP ROIC	17.7%	12.5%
(c)/(e) Adjusted Non-GAAP ROIC	17.9%	15.4%

<sup>(1)</sup> Adjusted Non-GAAP NOPAT and invested capital excludes \$15.8 million of restructuring and other costs, \$10.1 million gain on sale of property, and \$0.9 million of acquisition-related charges, net of an associated tax benefit of \$1.7 million.

<sup>(2)</sup> Adjusted Non-GAAP NOPAT and invested capital excludes \$31.4 million of restructuring and other 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 \$17.0 million.