

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 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.

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-week periods ended December 3, 2022 and November 27, 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 Acquisition-Related Costs and Restructuring and Other Costs

In calculating non-GAAP financial measures, we exclude 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 DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen Weeks Ended December 3, 2022 and November 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	
December 3, 2022	November 27, 2021	December 3, 2022	November 27, 2021	December 3, 2022	November 27, 2021
\$ 76,024	\$ 57,804	\$ (25,504)	\$ (15,262)	\$ 50,520	\$ 42,542

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen Weeks Ended December 3, 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	Acquisition-Related Costs	Adjusted Total MSC Industrial	
Net Sales	\$ 957,745	\$ -	\$ -	\$ 957,745	
Cost of Goods Sold	559,946	-	-	559,946	
Gross Profit	397,799	-	-	397,799	
Gross Margin	41.5%	-	-	41.5%	
Operating Expenses	279,695	-	154	279,541	
Operating Exp as % of Sales	29.2%	-	0.0%	29.2%	
Restructuring and Other Costs	2,094	2,094	-	-	
Income from Operations	116,010	(2,094)	(154)	118,258	
Operating Margin	12.1%	-0.2%	0.0%	12.3%	
Incremental Margin	23.1%	-	-	20.4%	
Total Other Expense	(8,159)	-	-	(8,159)	
Income before provision for income taxes	107,851	(2,094)	(154)	110,099	
Provision for income taxes	26,639	(517)	(38)	27,194	
Net income	81,212	(1,577)	(116)	82,905	
Net income attributable to noncontrolling interest	(102)	-	-	(102)	
Net income attributable to MSC Industrial	\$ 81,314	\$ (1,577)	\$ (116)	\$ 83,007	
Net income per common share:					
Diluted	\$ 1.45	\$ (0.03)	\$ (0.00)	\$ 1.48	

*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 27, 2021
(In thousands, except percentages and per share data)

	GAAP Financial Measure	Items Affecting Comparability	Non-GAAP Financial Measure
	Total MSC Industrial	Restructuring Costs	Adjusted Total MSC Industrial
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 Industrial	\$ 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
Twelve Months Ended December 3, 2022
(In thousands, except percentages)

		Twelve Months Ended December 3, 2022
(a) Net income attributable to MSC Industrial (twelve-month trailing)	\$	355,033
NOPAT		
Income from Operations (twelve-month trailing)		493,991
Effective tax rate		24.8%
(b) Non-GAAP NOPAT		371,703
(c) Adjusted Non-GAAP NOPAT		374,374 ⁽¹⁾
Invested Capital		
Total MSC Industrial shareholders' equity	\$	1,386,338
Current portion of debt including obligations under finance leases		326,240
Long-term debt including obligations under finance leases		453,868
Total Debt		780,108
Cash and cash equivalents		26,331
Net debt		753,777
Invested capital		2,140,115
(d) Average invested capital (thirteen-month trailing average)		2,045,470
(e) Adjusted average invested capital (thirteen-month trailing average)		2,045,701 ⁽¹⁾
(a)/(d) Net income to Average invested capital		17.4%
(b)/(d) Non-GAAP ROIC		18.2%
(c)/(e) Adjusted Non-GAAP ROIC		18.3%

⁽¹⁾ Adjusted Non-GAAP NOPAT and invested capital excludes \$12.6 million of restructuring and other costs, \$10.1 million gain on sale of property, and \$1.0 million of acquisition-related charges, net of an associated tax benefit of \$0.8 million.