

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 provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude restructuring and other costs, acquisition-related costs and share reclassification 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 measure and should only be used to evaluate MSC's results of operations in conjunction with the corresponding GAAP financial measure.

Financial data also includes certain forward-looking information that is not presented in accordance with GAAP. The Company believes that a quantitative reconciliation of such forward-looking information to the most directly comparable financial measure calculated and presented in accordance with GAAP cannot be made available without unreasonable efforts because a reconciliation of these non-GAAP financial measures would require the Company to predict the timing and likelihood of potential future events such as restructurings, M&A activity and other infrequent or unusual gains and losses. Neither the timing or likelihood of these events, nor their probable significance, can be quantified with a reasonable degree of accuracy. Accordingly, a reconciliation of such forward-looking information to the most directly comparable GAAP financial measure is not provided.

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 March 2, 2024 and March 4, 2023, respectively, is shown below.

Results Excluding Restructuring and Other Costs, Acquisition-Related Costs and Share Reclassification Costs

In calculating non-GAAP financial measures, we exclude restructuring and other costs, acquisition-related costs and share reclassification 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 comparing 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.

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.

Net Debt to Earnings before Interest, Taxes, and Depreciation and Amortization ("EBITDA")

Net debt to EBITDA is calculated using a non-GAAP financial measure, EBITDA. The Company defines EBITDA as GAAP net income adjusted for taxes, total other expense and depreciation and amortization. Net debt, a GAAP measure, is calculated as total debt less cash and cash equivalents. The Company presents net debt to EBITDA because it more clearly represents the operating profitability of the company and is a more accurate representation of the Company's financial position and its ability to cover its net debt obligations with results from its core operations. This method of determining non-GAAP EBITDA may differ from other companies' methods and therefore may not be comparable to those used by other companies. EBITDA should be considered in addition to, rather than as a substitute for, other information provided in accordance with GAAP.

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen and Twenty-Six Weeks Ended March 2, 2024 and March 4, 2023
(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	
March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023
\$78,743	\$340,416	\$(25,350)	\$(15,067)	\$53,393	\$325,349

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities		Expenditures for property, plant and equipment		Free cash flow	
Twenty-Six Weeks Ended		Twenty-Six Weeks Ended		Twenty-Six Weeks Ended	
March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023	March 2, 2024	March 4, 2023
\$159,911	\$416,440	\$(43,783)	\$(40,571)	\$116,128	\$375,869

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Thirteen Weeks Ended March 2, 2024
(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	\$ 935,348	\$ —	\$ —	\$ 935,348	
Cost of Goods Sold	546,737	—	—	546,737	
Gross Profit	388,611	—	—	388,611	
Gross Margin	41.5 %	— %	— %	41.5 %	
Operating Expenses	291,235	—	465	290,770	
Operating Exp as % of Sales	31.1 %	— %	0.0 %	31.1 %	
Restructuring and Other Costs	6,181	6,181	—	—	
Income from Operations	91,195	(6,181)	(465)	97,841	
Operating Margin	9.7 %	0.7 %	0.0 %	10.5 %	
Total Other Expense	(11,240)	—	—	(11,240)	
Income before provision for income taxes	79,955	(6,181)	(465)	86,601	
Provision for income taxes	18,390	(1,568)	(116)	20,074	
Net income	61,565	(4,613)	(349)	66,527	
Net loss attributable to noncontrolling interest	(282)	—	—	(282)	
Net income attributable to MSC Industrial	\$ 61,847	\$ (4,613)	\$ (349)	\$ 66,809	
Net income per common share:					
Diluted	\$ 1.10	\$ (0.08)	\$ (0.01)	\$ 1.18	

*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 March 2, 2024
(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	Share Reclassification Costs	Adjusted Total MSC Industrial		
Net Sales	\$ 1,889,317	\$ —	\$ —	\$ —	\$ 1,889,317		
Cost of Goods Sold	1,107,589	—	—	—	1,107,589		
Gross Profit	781,728	—	—	—	781,728		
Gross Margin	41.4 %	— %	— %	— %	41.4 %		
Operating Expenses	581,868	—	465	1,187	580,216		
Operating Exp as % of Sales	30.8 %	— %	0.0 %	(0.1)%	30.7 %		
Restructuring and Other Costs	7,097	7,097	—	—	—		
Income from Operations	192,763	(7,097)	(465)	(1,187)	201,512		
Operating Margin	10.2 %	0.4 %	0.0 %	0.1 %	10.7 %		
Total Other Expense	(21,490)	—	—	—	(21,490)		
Income before provision for income taxes	171,273	(7,097)	(465)	(1,187)	180,022		
Provision for income taxes	40,580	(2,744)	(180)	(288)	43,792		
Net income	130,693	(4,353)	(285)	(899)	136,230		
Net loss attributable to noncontrolling interest	(504)	—	—	—	(504)		
Net income attributable to MSC Industrial	\$ 131,197	\$ (4,353)	\$ (285)	\$ (899)	\$ 136,734		
Net income per common share:							
Diluted	\$ 2.32	\$ (0.08)	\$ (0.01)	\$ (0.02)	\$ 2.42		

*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 March 4, 2023
(In thousands, except percentages and per share data)

	GAAP	Items Affecting Comparability			Non-GAAP
	Financial Measure				Financial Measure
	Total MSC Industrial	Restructuring and Other Costs	Acquisition-Related Costs	Share Reclassification Costs	Adjusted Total MSC Industrial
Net Sales	\$ 961,632	\$ —	\$ —	\$ —	\$ 961,632
Cost of Goods Sold	564,937	—	—	—	564,937
Gross Profit	396,695	—	—	—	396,695
Gross Margin	41.3 %	— %	— %	— %	41.3 %
Operating Expenses	280,630	—	244	876	279,510
Operating Exp as % of Sales	29.2 %	— %	0.0 %	(0.1)%	29.1 %
Restructuring and Other Costs	1,783	1,783	—	—	—
Income from Operations	114,282	(1,783)	(244)	(876)	117,185
Operating Margin	11.9 %	0.2 %	0.0 %	0.1 %	12.2 %
Total Other Expense	(8,104)	—	—	—	(8,104)
Income before provision for income taxes	106,178	(1,783)	(244)	(876)	109,081
Provision for income taxes	26,863	(450)	(62)	(222)	27,597
Net income	79,315	(1,333)	(182)	(654)	81,484
Net income attributable to noncontrolling interest	175	—	—	—	175
Net income attributable to MSC Industrial	\$ 79,140	\$ (1,333)	\$ (182)	\$ (654)	\$ 81,309
Net income per common share:					
Diluted	\$ 1.41	\$ (0.02)	\$ 0.00	\$ (0.01)	\$ 1.45

*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 March 4, 2023
(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	Acquisition-Related Costs	Share Reclassification Costs		
Net Sales	\$ 1,919,377	\$ —	\$ —	\$ —	\$ 1,919,377	
Cost of Goods Sold	1,124,883	—	—	—	1,124,883	
Gross Profit	794,494	—	—	—	794,494	
Gross Margin	41.4 %	— %	— %	— %	41.4 %	
Operating Expenses	560,325	—	398	876	559,051	
Operating Exp as % of Sales	29.2 %	— %	0.0 %	0.0 %	29.1 %	
Restructuring and Other Costs	3,877	3,877	—	—	—	
Income from Operations	230,292	(3,877)	(398)	(876)	235,443	
Operating Margin	12.0 %	0.2 %	0.0 %	0.0 %	12.3 %	
Total Other Expense	(16,263)	—	—	—	(16,263)	
Income before provision for income taxes	214,029	(3,877)	(398)	(876)	219,180	
Provision for income taxes	53,502	(973)	(100)	(220)	54,795	
Net income	160,527	(2,904)	(298)	(656)	164,385	
Net income attributable to noncontrolling interest	73	—	—	—	73	
Net income attributable to MSC Industrial	\$ 160,454	\$ (2,904)	\$ (298)	\$ (656)	\$ 164,312	
Net income per common share:						
Diluted	\$ 2.86	\$ (0.05)	\$ (0.01)	\$ (0.01)	\$ 2.93	

*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 March 2, 2024 and September 2, 2023
(In thousands, except percentages)

	Twelve Months Ended March 2, 2024	Twelve Months Ended September 2, 2023
(a) Net income attributable to MSC Industrial (twelve-month trailing)	\$ 313,976	\$ 343,233
NOPAT		
Income from Operations (twelve-month trailing)	446,204	483,733
Effective tax rate	24.2 %	24.8 %
(b) Non-GAAP NOPAT	338,132	363,850
(c) Adjusted Non-GAAP NOPAT	356,865 ¹	379,531 ²
Invested Capital		
Total MSC Industrial shareholders' equity	\$ 1,390,509	\$ 1,479,164
Current portion of debt including obligations under finance leases	257,829	229,935
Long-term debt including obligations under finance leases	294,474	224,391
Total Debt	552,303	454,326
Cash and cash equivalents	\$ 22,227	\$ 50,052
Net debt	530,076	404,274
Invested capital	1,920,585	1,883,438
(d) Average invested capital (thirteen-month trailing average)	1,886,328	1,951,818
(e) Adjusted average invested capital (thirteen-month trailing average)	1,888,291 ¹	1,953,516 ²
(a)/(d) Net income to Average invested capital	16.6 %	17.6 %
(b)/(d) Non-GAAP ROIC	17.9 %	18.6 %
(c)/(e) Adjusted Non-GAAP ROIC	18.9 %	19.4 %

⁽¹⁾ Adjusted Non-GAAP NOPAT and invested capital excludes \$11.2 million of restructuring and other costs, \$12.7 million of share reclassification costs and \$0.5 million of acquisition-related charges, net of an associated tax benefit of \$6.0 million.

⁽²⁾ Adjusted Non-GAAP NOPAT and invested capital excludes \$7.9 million of restructuring and other costs, \$0.4 million of acquisition-related charges and \$12.4 million of share reclassification costs, net of an associated tax benefit of \$5.3 million.

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Twelve Months Ended March 2, 2024 and March 4, 2023
(In thousands)

	Twelve Months Ended March 2, 2024	Twelve Months Ended March 4, 2023
Net Debt		
Current portion of debt including obligations under finance leases	\$ 257,829	\$ 275,758
Long-term debt including obligations under finance leases	294,474	273,941
Total Debt	552,303	549,699
Cash and cash equivalents	22,227	49,615
(a) Net Debt	\$ 530,076	\$ 500,084
Net Income	\$ 313,273	\$ 364,598
Total Other Expense	32,804	26,217
Income tax expense	100,127	120,290
Depreciation and amortization	77,906	72,283
(b) EBITDA	\$ 524,110	\$ 583,388
(a)/(b) Net Debt to EBITDA	1.01	0.86