

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 return on invested capital (as defined below), 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 share reclassification costs (prior year), restructuring and other costs and tax effects, as well as free cash flow conversion, which is a measure calculated using free cash flow, which is a non-GAAP measure.

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 may also include 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, capital expenditures 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") and Free Cash Flow Conversion ("FCF Conversion")

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. FCF Conversion is useful to investors for the foregoing reasons and as a measure of the rate at which the Company converts its net income reported in accordance with GAAP to cash inflows, which helps investors assess whether the Company is generating sufficient cash flow to provide an adequate return.

Results Excluding Share Reclassification Costs (prior year) and Restructuring and Other Costs

In calculating certain non-GAAP financial measures, we exclude share reclassification costs (prior year), 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 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 for the preceding 12 months. 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. The Company's management uses net debt to EBITDA to evaluate the timeframe it would take to pay back its debt if net debt and EBITDA are held constant. The Company believes net debt to EBITDA is useful to investors for the foregoing reasons and as a measure of the rate at which the Company can cover its debts, which helps investors assess whether the Company has ability to grow its debt to support future growth initiatives. 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
Fiscal Quarters Ended November 30, 2024 and December 2, 2023
(In thousands)

	Fiscal Quarters Ended	
	November 30, 2024	December 2, 2023
(a) Net cash provided by operating activities	101,868	81,168
(b) Expenditures for property, plant and equipment	(20,168)	(18,433)
(a-b) = (c) Free cash flow	81,700	62,735
(d) Net income	45,694	69,128
(a)/(d) Operating cash flow conversion	223 %	117 %
(c)/(d) Free cash flow conversion	179 %	91 %

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Fiscal Quarter Ended November 30, 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	Adjusted Total MSC Industrial
Net Sales	\$ 928,484	\$ —	\$ 928,484
Cost of Goods Sold	550,297	—	550,297
Gross Profit	378,187	—	378,187
Gross Margin	40.7 %	— %	40.7 %
Operating Expenses	303,563	—	303,563
Operating Expenses as % of Sales	32.7 %		32.7 %
Restructuring and Other Costs	2,344	2,344	—
Income from Operations	72,280	(2,344)	74,624
Operating Margin	7.8 %	0.3 %	8.0 %
Total Other Expense	(11,678)	—	(11,678)
Income before provision for income taxes	60,602	(2,344)	62,946
Provision for income taxes	14,908	(577)	15,485
Net income	45,694	(1,767)	47,461
Net loss attributable to noncontrolling interest	(929)	—	(929)
Net income attributable to MSC Industrial	<u>\$ 46,623</u>	<u>\$ (1,767)</u>	<u>\$ 48,390</u>
Net income per common share:			
Diluted	<u>\$ 0.83</u>	<u>\$ (0.03)</u>	<u>\$ 0.86</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
Fiscal Quarter Ended December 2, 2023
(In thousands, except percentages and per share data)

	GAAP	Items Affecting Comparability		Non-GAAP
	Financial Measure	Restructuring and Other Costs	Share Reclassification Costs	Financial Measure
	Total MSC Industrial			Adjusted Total MSC Industrial
Net Sales	\$ 953,969	\$ —	\$ —	\$ 953,969
Cost of Goods Sold	560,852	—	—	560,852
Gross Profit	393,117	—	—	393,117
Gross Margin	41.2 %	— %	— %	41.2 %
Operating Expenses	290,633	—	1,187	289,446
Operating Expenses as % of Sales	30.5 %	— %	(0.1)%	30.3 %
Restructuring and Other Costs	916	916	—	—
Income from Operations	101,568	(916)	(1,187)	103,671
Operating Margin	10.6 %	0.1 %	0.1 %	10.9 %
Total Other Expense	(10,250)	—	—	(10,250)
Income before provision for income taxes	91,318	(916)	(1,187)	93,421
Provision for income taxes	22,190	(223)	(288)	22,701
Net income	69,128	(693)	(899)	70,720
Net loss attributable to noncontrolling interest	(222)	—	—	(222)
Net income attributable to MSC Industrial	<u>\$ 69,350</u>	<u>\$ (693)</u>	<u>\$ (899)</u>	<u>\$ 70,942</u>
Net income per common share:				
Diluted	<u>\$ 1.22</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>\$ 1.25</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
Twelve Months Ended November 30, 2024 and August 31, 2024
(In thousands, except percentages)

	Twelve Months Ended November 30, 2024	Twelve Months Ended August 31, 2024
(a) Net income attributable to MSC Industrial (twelve-month trailing)	\$ 235,867	\$ 258,594
NOPAT		
Income from Operations (twelve-month trailing)	361,099	390,387
Effective tax rate	25.5 %	25.3 %
(b) Non-GAAP NOPAT	269,087	291,532
(c) Adjusted Non-GAAP NOPAT	281,779 ¹	304,072 ²
Invested Capital		
Total MSC Industrial shareholders' equity	\$ 1,375,084	\$ 1,391,797
Current portion of debt including obligations under finance leases	230,077	229,911
Long-term debt including obligations under finance leases	289,890	278,853
Total Debt	519,967	508,764
Cash and cash equivalents	\$ 57,266	\$ 29,588
Net debt	462,701	479,176
Invested capital	1,837,785	1,870,973
(d) Average invested capital (thirteen-month trailing average)	1,879,818	1,883,503
(e) Adjusted average invested capital (thirteen-month trailing average)	1,895,666 ¹	1,900,259 ²
(a)/(d) Net income to Average invested capital	12.5 %	13.7 %
(b)/(d) Non-GAAP ROIC	14.3 %	15.5 %
(c)/(e) Adjusted Non-GAAP ROIC	14.9 %	16.0 %

⁽¹⁾ Adjusted Non-GAAP NOPAT and invested capital excludes \$16.0 million of restructuring and other costs and \$1.1 million of acquisition-related charges, net of an associated tax benefit of \$4.3 million.

⁽²⁾ Adjusted Non-GAAP NOPAT and invested capital excludes \$14.5 million of restructuring and other costs, \$1.1 million of acquisition-related charges and \$1.2 million of share reclassification costs, net of an associated tax benefit of \$4.1 million.

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Twelve Months Ended November 30, 2024 and December 2, 2023
(In thousands)

	Twelve Months Ended November 30, 2024	Twelve Months Ended December 2, 2023
Net Debt		
Current portion of debt including obligations under finance leases	\$ 230,077	\$ 244,048
Long-term debt including obligations under finance leases	289,890	294,430
Total Debt	519,967	538,478
Cash and cash equivalents	57,266	25,805
(a) Net Debt	\$ 462,701	\$ 512,673
Net Income	\$ 232,523	\$ 331,023
Total Other Expense	49,066	29,668
Income tax expense	79,510	108,600
Depreciation and amortization	61,532	75,960
(b) EBITDA	\$ 422,631	\$ 545,251
(a)/(b) Net Debt to EBITDA	1.09	0.94