



# Fiscal 4Q'14 Earnings Presentation

October 28, 2014

# Risks and Non-GAAP Disclosures

This presentation contains forward-looking statements within the meaning of U.S. securities laws, including guidance about expected future results, expectations regarding our ability to gain market share, expected benefits from our investment and strategic plans, including the Class C Solutions Group (“CCSG”) acquisition and expectations regarding future revenue and margin growth. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these statements; are based on our current expectations; and we assume no obligation to update them. These risks include the Company’s ability to timely and efficiently integrate its recent acquisition of CCSG and realize the anticipated synergies from the transaction; current economic, political, and social conditions; general economic conditions in the markets in which the Company operates; changing customer and product mixes; competition; industry consolidation and other changes in the industrial distribution sector; volatility in commodity and energy prices; the outcome of potential government or regulatory proceedings or future litigation; credit risk of our customers; risk of cancellation or rescheduling of customer orders; work stoppages or other business interruptions (including those due to extreme weather conditions) at transportation centers or shipping ports; risk of loss of key suppliers, key brands or supply chain disruptions; dependence on our information systems; retention of key personnel; risk of delays in opening or expanding our customer fulfillment centers; goodwill and intangible assets recorded as a result of our acquisitions could be impaired; disclosing our use of “conflict minerals” in certain of the products we distribute could raise certain reputational and other risks; and the Company’s ability to enhance its information technology systems without disruption to our business operations.

Information about these risks is noted in the earnings press release and in the Risk Factors and MD&A sections of our latest annual and quarterly reports filed with the SEC, as well as in our other SEC filings. Investors are cautioned not to place undue reliance on these forward-looking statements.

Throughout this conference call we will reference both GAAP and adjusted financial results, which are non-GAAP financial measures. Please refer to the reconciliation tables at the end of this presentation and at the end of our earnings release for a reconciliation of the adjusted financial measures to the most directly comparable GAAP measures.

# F4Q'14 Guidance Comparison

	4Q 2014 Guidance	Adjusted 4Q 2014 Results <sup>(1)</sup>
Sales	\$718M - \$730M	\$727M
Gross Margin	45.7% - 46.1%	45.6%
Adjusted EPS	\$0.98 - \$1.02	\$1.02
Adjusted Operating Expenses	\$231M	\$230M
Tax Rate	37.7%	36.7%

(1) Reconciliations are provided on slides 9-11.

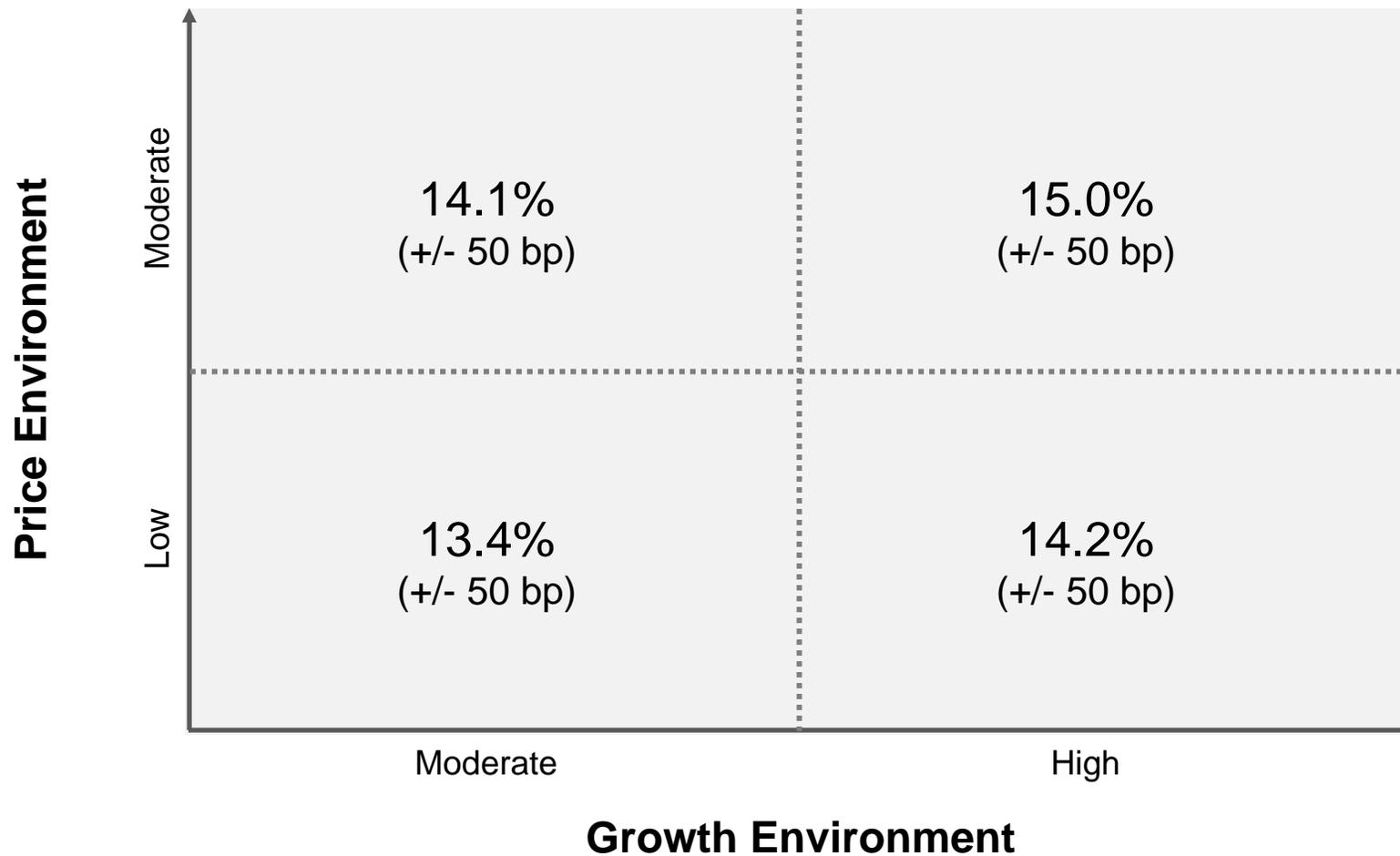
# F1Q'15 Guidance

Sales	\$727M – \$739M
Gross Margin	45.3% +/- 20 bps
Adjusted EPS	\$0.95 – \$0.99
Tax Rate	38.3%

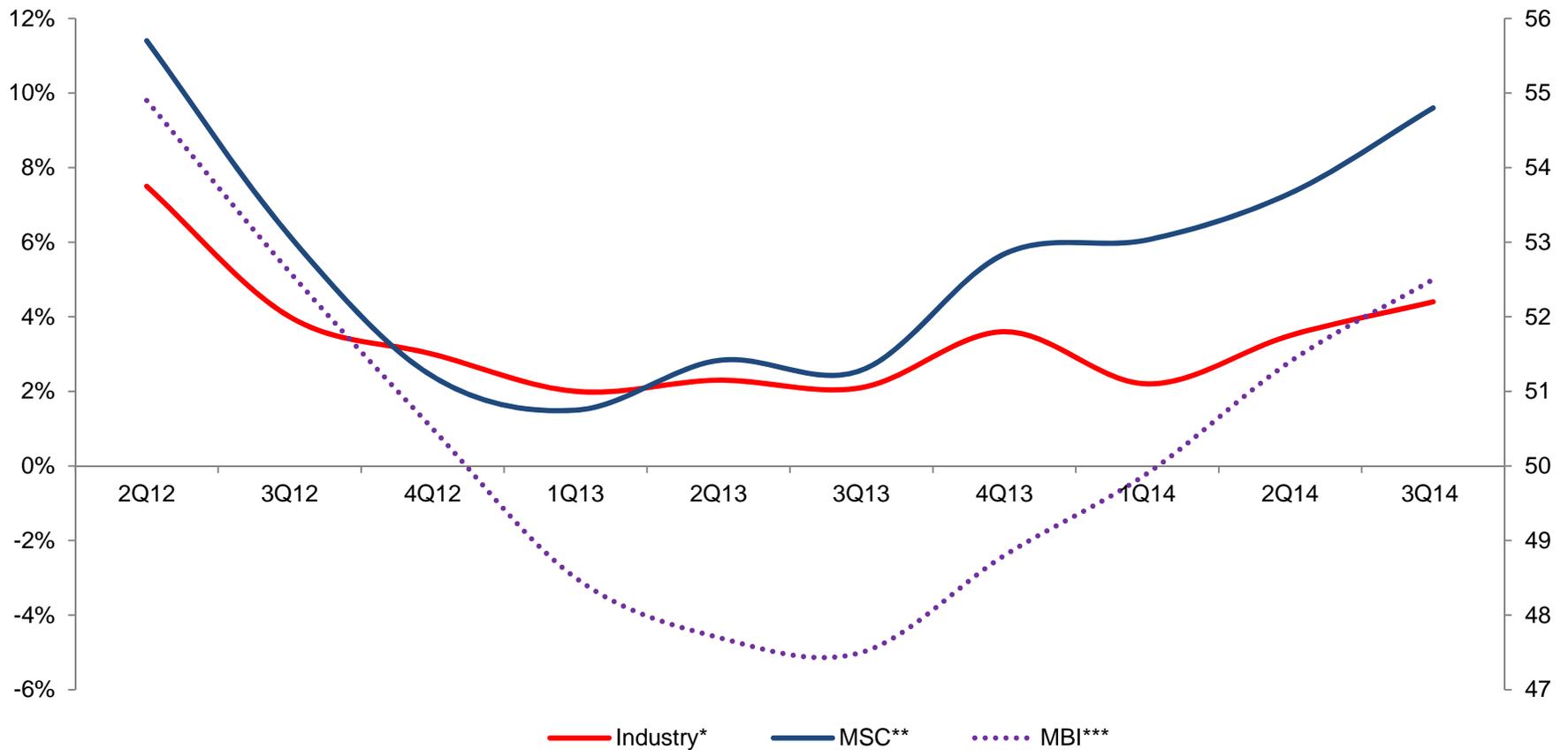
## Assumptions:

Non-recurring integration costs associated with the CCSG acquisition is expected to have a \$0.01 per share impact.

# FY 2015 Operating Margin Scenarios



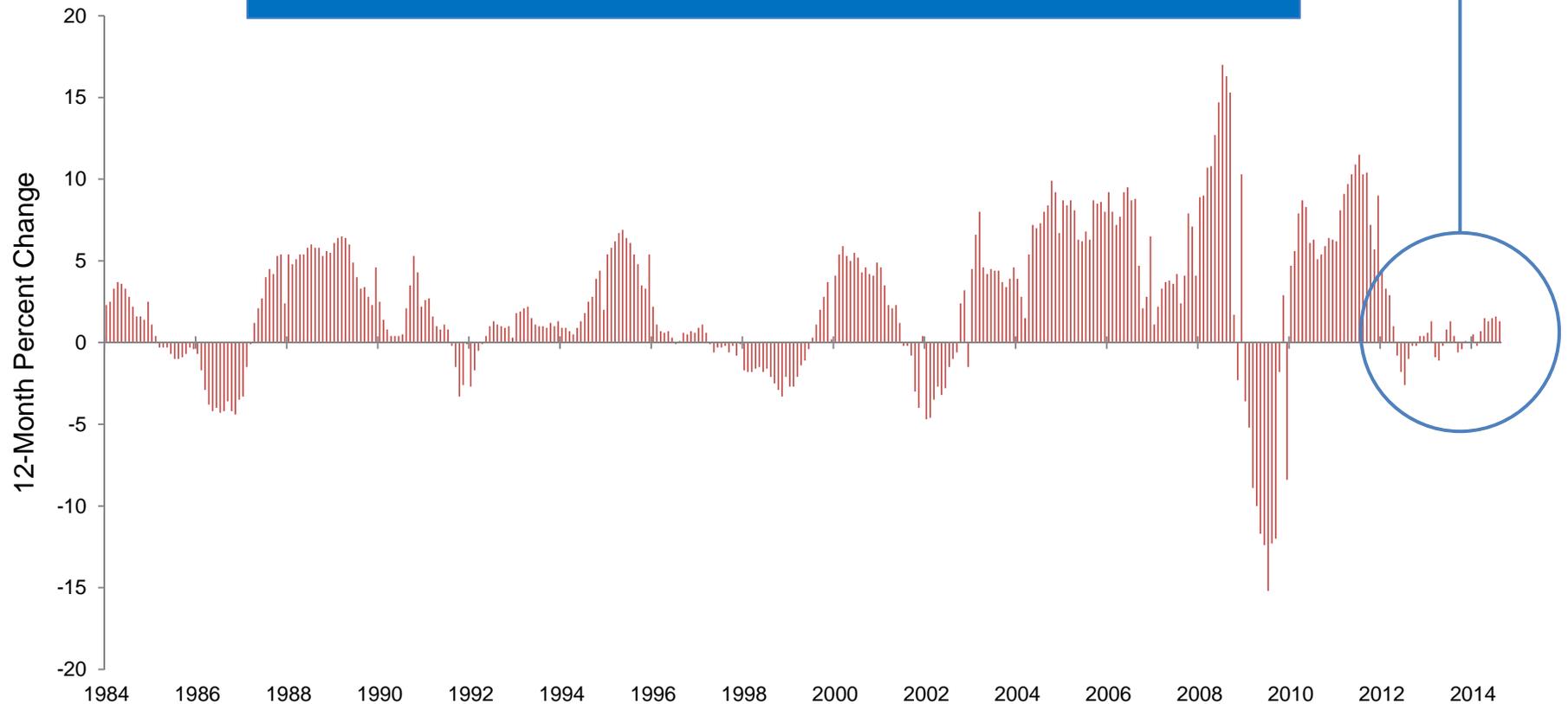
# Recent MSC (Base Business) Growth Trends



\* Baird Industrial Distribution Survey Results 3Q14 Report.  
 \*\* MSC sales excluding CCSG restated for calendar quarters.  
 \*\*\* Rolling 12 month basis.

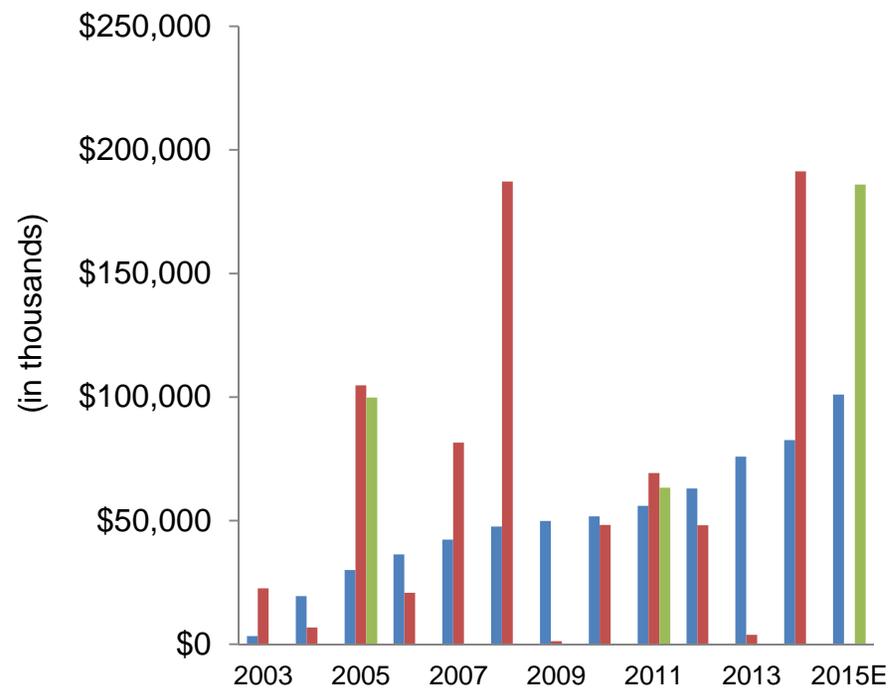
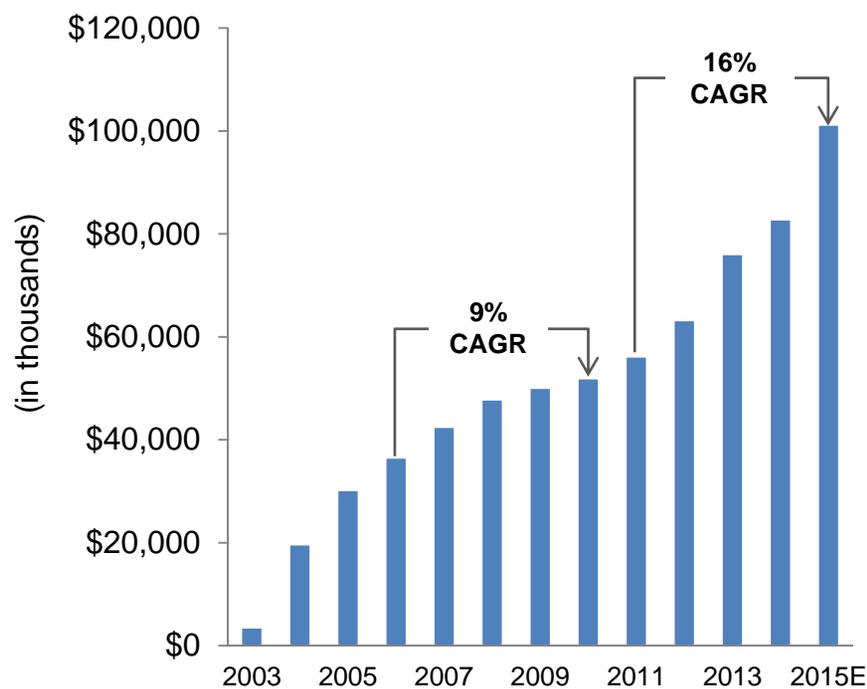
# PPI: Processed Goods for Intermediate Demand

MSC's recent gross margin pressure reflects the current pricing environment



\* 12-Month Percent Change: January 1984 – August 2014. Sourced from the Bureau of Labor Statistics (Series Id: WPUID61).

# Capital Returned to Shareholders



■ Ordinary Dividends\*

■ Share Repurchases

■ Special Dividends\*\*

\* Expected annualized ordinary dividends for FY 2015.

\*\* \$3 per share special dividend in FY 2015 as announced on October 27, 2014.

# Reconciliations

## Non-GAAP Financial Measures

To supplement MSC's unaudited selected financial data presented on a basis consistent with Generally Accepted Accounting Principles ("GAAP"), the Company discloses certain non-GAAP financial measures, including adjusted operating expenses, adjusted operating income, adjusted net income, and adjusted net income per diluted share. The adjusted supplemental measures exclude non-recurring costs associated with the CCSG acquisition and the co-location of our corporate headquarters in Davidson, North Carolina, and the related tax effects. These non-GAAP measures are not in accordance with or an alternative for GAAP, and may be different from non-GAAP measures used by other companies. We believe that these non-GAAP measures have limitations in that they do not reflect all of the amounts associated with MSC's results of operations as determined in accordance with GAAP and that these measures should only be used to evaluate MSC's results of operations in conjunction with the corresponding GAAP measures. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. We compensate for the limitations of non-GAAP financial measures by relying upon GAAP results to gain a complete picture of Company performance.

In calculating "adjusted" non-GAAP financial measures, we exclude the non-recurring costs described above to facilitate a review of the comparability of the Company's operating performance on a period-to-period basis because such costs are not, in our view, related to the Company's ongoing operational performance. We use the "adjusted" non-GAAP measures to evaluate the operating performance of our business, for comparison with forecasts and strategic plans, and for benchmarking performance externally against competitors. In addition, we use the "adjusted" non-GAAP financial measures as performance metrics for management incentive programs. Since we find these measures to be useful, we believe that investors benefit from seeing results "through the eyes" of management in addition to seeing GAAP results. We believe that the "adjusted" non-GAAP measures, when read in conjunction with the Company's GAAP financials, provide useful information to investors by offering:

- the ability to make more meaningful period-to-period comparisons of the Company's on-going operating results;
- the ability to better identify trends in the Company's underlying business and perform related trend analyses; and
- a better understanding of how management plans and measures the Company's underlying business.

The following tables reconcile GAAP operating expenses, GAAP operating income, GAAP net income and GAAP net income per diluted share ("EPS") to non-GAAP adjusted operating expenses, adjusted operating income, adjusted net income, and adjusted net income per diluted share.

# Reconciliations

	Thirteen Weeks Ended August 30, 2014	
	(dollars in thousands)	Margin
GAAP Operating income	\$99,826	13.7%
Non-recurring costs	1,108	
Adjusted Operating income	<u>\$100,934</u>	<u>13.9%</u>

	Thirteen Weeks Ended August 30, 2014	
	(dollars in thousands)	% of Sales
GAAP Operating expenses	\$231,360	31.8%
Non-recurring costs	1,108	
Adjusted Operating expenses	<u>\$230,252</u>	<u>31.7%</u>

	Thirteen Weeks Ended August 31, 2013	
	(dollars in thousands)	Margin
GAAP Operating income	\$92,352	13.7%
Non-recurring costs	6,392	
Adjusted Operating income	<u>\$98,744</u>	<u>14.7%</u>

	Thirteen Weeks Ended August 31, 2013	
	(dollars in thousands)	% of Sales
GAAP Operating expenses	\$215,193	31.9%
Non-recurring costs	6,392	
Adjusted Operating expenses	<u>\$208,801</u>	<u>31.0%</u>

	Thirteen Weeks Ended August 30, 2014	Thirteen Weeks Ended August 31, 2013
	(dollars in thousands)	
Sales	\$726,623	\$673,773
Cost of Sales	395,437	366,228
Gross Margin	331,186	307,545
Operating Expenses	231,360	215,193
Income from Operations	99,826	92,352
Non-recurring costs	1,108	6,392
Adjusted Operating income	<u>\$100,934</u>	<u>\$98,744</u>

# Reconciliations

<i>(in thousands, except per share amounts)</i>	Thirteen Weeks Ended August 30, 2014	
	\$(after tax)	Diluted EPS
GAAP net income	\$62,813	\$1.01
Non-recurring costs*	702	0.01
Adjusted net income	\$63,515	\$1.02

\* On a pre-tax basis includes approximately \$29 of non-recurring relocation costs associated with the Co-Location of the Company's headquarters in Davidson, North Carolina and approximately \$1,079 of non-recurring integration costs associated with the CCSG acquisition for the thirteen weeks ended August 30, 2014. The non-recurring costs were calculated using an effective tax rate of 36.7%.

<i>(in thousands, except per share amounts)</i>	Thirteen Weeks Ended August 31, 2013	
	\$(after tax)	Diluted EPS
GAAP net income	\$56,375	\$0.89
Non-recurring costs*	3,945	0.06
Adjusted net income	\$60,320	\$0.95

\*On a pre-tax basis includes approximately \$1,900 of non-recurring relocation costs associated with the Co-Location of the Company's headquarters in Davidson, North Carolina and approximately \$4,492 of non-recurring transaction and integration costs associated with the CCSG acquisition for the thirteen weeks ended August 31, 2013. The non-recurring costs were calculated using an effective tax rate of 38.3%.