MSC | BUILT TO MAKE YOU BETTER™

Fiscal 2016 Q4 Earnings Presentation

November 1, 2016

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, and expected future margins. These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements; are based on our current expectations; and we assume no obligation to update them. Factors that could cause actual results to differ materially from those in forward-looking statements include: general economic conditions in the markets in which we operate, current economic, political and social conditions, changing customer and product mixes, competition, industry consolidation, volatility in commodity and energy prices, credit risk of our customers, risk of cancellation or rescheduling of orders, work stoppages or other business interruptions (including those due to extreme weather conditions) at transportation centers or shipping ports, financial restrictions on outstanding borrowings, dependence on our information systems and the risk of business disruptions arising from changes to our information systems, disruptions due to computer system or network failures, computer viruses, physical or electronics break-ins and cyber-attacks, the inability to successfully manage the upgrade of our core financial systems, the loss of key suppliers or supply chain disruptions, problems with successfully integrating acquired operations, opening or expanding our customer fulfillment centers exposes us to risks of delays, the risk of war, terrorism and similar hostilities, dependence on key personnel, goodwill and intangible assets recorded as a result of our acquisitions could be impaired, and the outcome of potential government or regulatory proceedings or future litigation relating to pending or future claims, inquiries or audits.

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 presentation 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.

FY 2016 Q4 Guidance Comparison

	FY 2016 Q4 Guidance	FY 2016 Q4 Results
Net Sales	$730M – $742M	$745.1M
Gross Margin	44.7% – 45.1%	44.8%
Operating Expenses	$234.2M	$234.8M
Tax Rate	36.8%	36.7%
Diluted EPS	$0.96-$1.00	$1.02

FY 2016 Analysis

Line Item	FY 2015 (52 Weeks)	FY 2016 (53 Weeks)	Impact/Margin of 53rd Week*	Impact of Tender Offer*	FY 2016 (excluding 53rd week & Tender Offer)*
Sales (M)	$2,910	$2,864	$56		$2,808
Operating Margin	13.0%	13.1%	22%		13%
EPS	$3.74	$3.77	$0.12	$0.01	$3.64

* Estimated based on management assumptions

FY 2017 Q1 Guidance

Sales	$676M – $688M
Gross Margin	45.0% +/- 20 bps
Tax Rate	38.2%
Diluted EPS	$0.90 – $0.94

FY 2017 Annual Operating Margin Framework

MSC Growth Level

Price Environment \ MSC Growth Level	Slightly Negative	Slightly Positive
Slightly Positive	12.6% (+/- 50 bps)	13.3% (+/- 50 bps)
Slightly Negative	12.2% (+/- 50 bps)	12.7% (+/- 50 bps)

Reconciliations

<u>Non-GAAP Financial Measures</u>

Adjusted operating income, adjusted net income, and adjusted net income per diluted share

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 income, adjusted net income, and adjusted net income per diluted share. The adjusted supplemental measures for the thirteen weeks and fiscal year ended August 29, 2015 exclude non-recurring costs associated with the Class C Solutions Group ("CCSG") acquisition and executive transition and separation costs, and related tax effects. There were no adjustments for non-recurring costs for the fourteen weeks and fiscal year ended September 3, 2016. 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 non-GAAP financial measures, we exclude these non-recurring costs 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 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 certain 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 these 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 tables below reconcile GAAP operating income, GAAP net income and GAAP net income per diluted share ("EPS") to non-GAAP adjusted operating income, adjusted net income, and adjusted net income per diluted share.

Reconciliations

Non-GAAP Financial Measures (cont'd)

Free Cash Flow

Our measure of "Free cash flow" meets the definition of a non-GAAP financial measure. Free cash flow is used in addition to and in conjunction with results presented in accordance with GAAP and free cash flow 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. Free cash flow, 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 free cash flow, 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 free cash flow, as a measure of the Company's ability to reduce debt, add to cash balances, pay dividends, and repurchase stock. Free cash flow has limitations due to the fact that it does not represent the residual cash flow available for discretionary expenditures. For example, free cash flow does not incorporate payments made on capital lease obligations or required debt service payments. In addition, different companies define free cash flow differently. Therefore, we believe it is important to view free cash flow as a complement to our entire consolidated statements of cash flows. A reconciliation of cash provided by operating activities to free cash flow for the fourteen weeks ended and fiscal year ended September 3, 2016 is shown below.

Reconciliations

	Thirteen Weeks Ended August 29, 2015 (in thousands)	Margin
GAAP Operating income	$ 95,440	13.1 %
Non-recurring costs	236	
Adjusted Operating income	$ 95,676	13.2 %

	Thirteen Weeks Ended August 29, 2015 (in thousands)
Net sales	$ 727,405
Cost of goods sold	400,270
Gross profit	327,135
Operating Expenses	231,695
Income from Operations	95,440
Non-recurring costs	236
Adjusted Operating income	$ 95,676

	Thirteen Weeks Ended August 29, 2015	
(in thousands, except per share amounts)	$(after tax)	Diluted EPS
GAAP net income	$ 59,022	$ 0.96
Non-recurring costs*	149	-
Adjusted net income	$ 59,171	$ 0.96

* On a pre-tax basis includes approximately $236 of non-recurring executive transition costs related to the planned retirement of the Company's Chief Financial Officer for the thirteen weeks ended August 29, 2015. The non-recurring costs were calculated using an effective tax rate of 36.9%.

Reconciliations

	Fiscal Year Ended August 29, 2015 (in thousands)	Margin
GAAP Operating income	$ 379,529	13.0 %
Non-recurring costs	4,507	
Adjusted Operating income	$ 384,036	13.2 %

	Fiscal Year Ended August 29, 2015 (in thousands)
Net sales	$ 2,910,379
Cost of goods sold	1,593,804
Gross profit	1,316,575
Operating Expenses	937,046
Income from Operations	379,529
Non-recurring costs	4,507
Adjusted Operating income	$ 384,036

	Fiscal Year Ended August 29, 2015	
(in thousands, except per share amounts)	$(after tax)	Diluted EPS
GAAP net income	$ 231,308	$ 3.74
Non-recurring costs*	2,794	0.05
Adjusted net income	$ 234,102	$ 3.79

* On a pre-tax basis includes approximately $1,081 of non-recurring integration costs associated with the CCSG acquisition, approximately $2,706 for non-recurring executive separation costs related to the departure of the Executive Vice President of Sales, and approximately $720 of non-recurring executive transition costs related to the planned retirement of the Company's Chief Financial Officer for the fiscal year ended August 29, 2015. The non-recurring costs were calculated using an effective tax rate of 38.0%.

Reconciliations

		Fiscal Quarter Ended September 3, 2016
		(14 weeks)
		(in thousands)
Net cash provided by operating activities	$	115,281
Expenditures for property, plant and equipment		(53,216)
Free cash flow	$	62,065

		Fiscal Year Ended September 3, 2016
		(53 weeks)
		(in thousands)
Net cash provided by operating activities	$	401,103
Expenditures for property, plant and equipment		(87,930)
Free cash flow	$	313,173