

# FISCAL FOURTH QUARTER AND FULL YEAR 2023 EARNINGS

OCTOBER 25, 2023

**MSC**



## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this presentation may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of present or historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future, including statements about results of operations and financial condition, expected future results, expected benefits from our investment and strategic plans and other initiatives, and expected future growth, profitability and return on invested capital, are forward-looking statements. The words "will," "may," "believes," "anticipates," "thinks," "expects," "estimates," "plans," "intends," and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. In addition, statements which refer to expectations, projections or other characterizations of future events or circumstances, statements involving a discussion of strategy, plans or intentions, statements about management's assumptions, projections or predictions of future events or market outlook and any other statement other than a statement of present or historical fact are forward-looking statements. The inclusion of any statement in this presentation does not constitute an admission by MSC or any other person that the events or circumstances described in such statement are material. In addition, new risks may emerge from time to time and it is not possible for management to predict such risks or to assess the impact of such risks on our business or financial results. Accordingly, future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. These risks and uncertainties include, but are not limited to, the following: general economic conditions in the markets in which we operate; changing customer and product mixes; volatility in commodity and energy prices, the impact of prolonged periods of low, high and rapid inflation, and fluctuations in interest rates; competition, including the adoption by competitors of aggressive pricing strategies and sales methods; industry consolidation and other changes in the industrial distribution sector; our ability to realize the expected benefits from our investment and strategic plans, including our transition from being a spot-buy supplier to a mission-critical partner to our customers; our ability to realize the expected cost savings and benefits from our restructuring activities and structural cost reductions; the retention of key personnel; the credit risk of our customers, higher inflation and fluctuations in interest rates; the risk of customer cancellation or rescheduling of orders; difficulties in calibrating customer demand for our products, which could cause an inability to sell excess products ordered from manufacturers resulting in inventory write-downs or could conversely cause inventory shortages of such products; work stoppages, labor shortages or other business interruptions (including those due to extreme weather conditions) at transportation centers, shipping ports, our headquarters or our customer fulfillment centers; disruptions or breaches of our information technology systems, or violations of data privacy laws; the retention of qualified sales and customer service personnel and metalworking specialists; the risk of loss of key suppliers or contractors or key brands or supply chain disruptions, including due to import restrictions or global geopolitical conditions; changes to governmental trade or sanctions policies, including the impact from significant import restrictions or tariffs or moratoriums on economic activity with certain countries or regions; risks related to opening or expanding our customer fulfillment centers; our ability to estimate the cost of healthcare claims incurred under our self-insurance plan; litigation risk due to the nature of our business; risks associated with the integration of acquired businesses or other strategic transactions; financial restrictions on outstanding borrowings; our ability to maintain our credit facilities or incur additional borrowings on terms we deem attractive; the failure to comply with applicable environmental, health and safety laws and regulations, and other laws applicable to our business; the outcome of government or regulatory proceedings or future litigation; goodwill and intangible assets recorded resulting from our acquisitions could be impaired; our common stock price may be volatile due to factors outside of our control; the significant influence that our principal shareholders continue to exercise over us, which may result in our taking actions or failing to take actions which our other shareholders do not prefer; the outcome of any legal proceedings that may be instituted against us or others relating to the share reclassification; our ability to realize the expected benefits from the share reclassification; and the effect of the announcement or the consummation of the share reclassification on the market price of our common stock. Additional information concerning these and other risks is described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively, and in the other reports and documents that we file with the United States Securities and Exchange Commission. We expressly disclaim any obligation to update any of these forward-looking statements, except to the extent required by applicable law.

## FISCAL FOURTH QUARTER AND FULL YEAR 2023 HIGHLIGHTS

1

**Average daily sales growth of 9.3%** for 4Q'23 and 11.2% for FY'23 outpaced the Industrial Production index by ~900 bps and ~1,000 bps, respectively

2

**Reduced operating expenses** as a percentage of sales by 70 bps YoY in FY'23 and 90 bps on an adjusted\* basis including a reduction of 40 bps in 4Q'23

3

**Reported and adjusted\* operating margin** down 270 bps and 100 bps, respectively YoY in 4Q'23 due to one less selling week, customer mix, and higher cost inventories

4

**GAAP and adjusted EPS\*** down YoY in 4Q'23 but up for the total fiscal year

5

**Achieved ROIC\* in the high-teens** and operating cash flow conversion\*\* greater than 100% in FY'23

6

**Eliminated dual class share structure** in October 2023; balance sheet supports previously stated intent to offset dilution

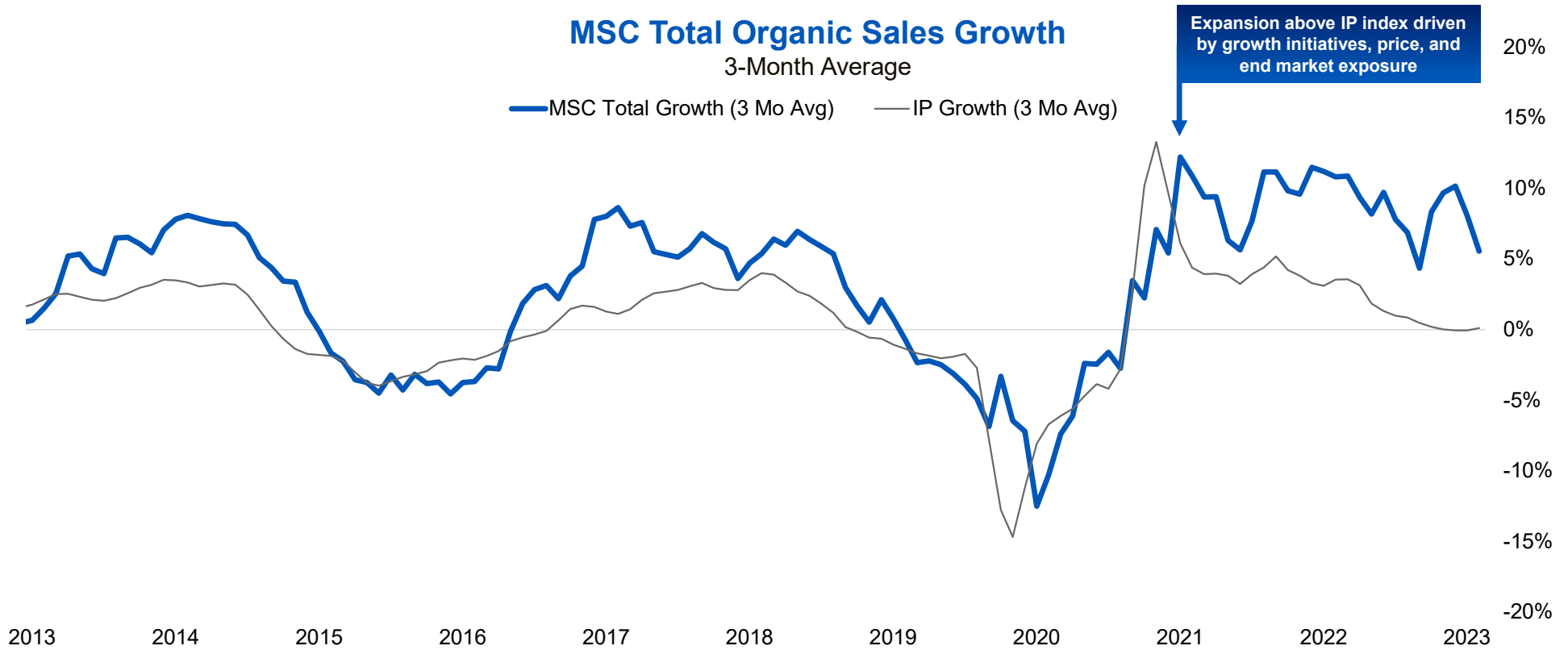
\* Represents a non-GAAP financial measure. See appendix for non-GAAP reconciliations.



\*\* The Company defines Operating Cash Flow Conversion as Net cash provided by operating activities as a percentage of Net income. The Company's management uses Operating Cash Flow Conversion to evaluate the Company's operating performance, in particular how efficiently the Company turns its sales and profits into cash, and to assess the efficiency of the Company's use of working capital. The Company believes Operating Cash Flow 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

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# CONSISTENTLY GROWING ABOVE INDUSTRIAL PRODUCTION INDEX (IP)

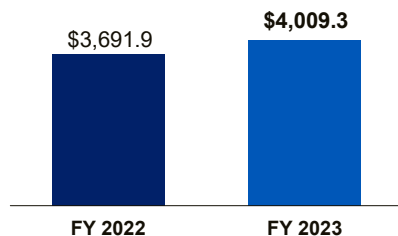


\* Data as of October 18, 2023.

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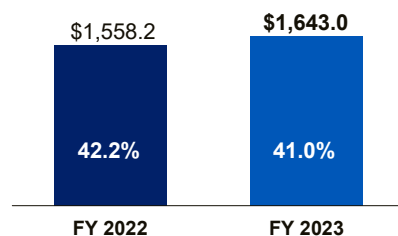
# FISCAL YEAR 2023 REPORTED AND ADJUSTED RESULTS

## Net Sales (millions)



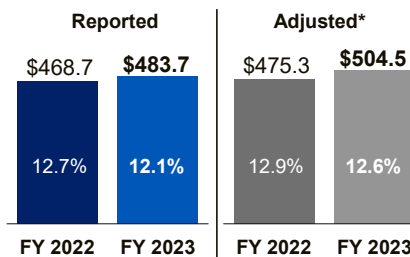
- Sales growth (ADS) of 11.2% driven by strong momentum in growth initiatives, price, and a slight benefit from acquisitions
- National Accounts up low double digits, Public Sector up >45%
- Class C consumables product category up low-teens
- In-Plant sales up high-teens and represents 13% of sales

## Gross Profit (millions and % of sales)



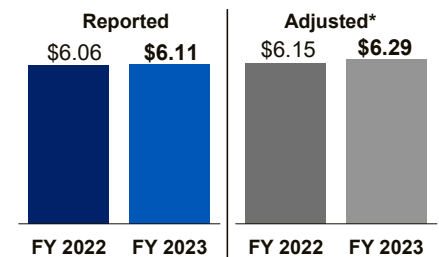
- Gross margin down 120 bps YoY
- 90 bps of YoY decline mainly driven by a Public Sector contract win and other customer mix
- Another 30 bps of dilution related to acquisitions
- Higher inventory costs working through the P&L offset the YoY benefits from pricing, supplier rebates, and other cost of goods sold adjustments

## Operating Profit (millions and % of sales)



- Operating profit in FY23 includes \$8.3 million in restructuring and acquisition costs and \$12.4 million in share reclassification costs
- Operating profit in FY'22 includes \$10.1 million of gain on sale of property and \$16.7 million in restructuring and acquisition costs
- Operating margin down slightly due to lower gross margins and one less selling week YoY, partially offset by higher sales and expense leverage

## Earnings (per diluted share)



- FY'23 reported EPS includes \$0.11 from restructuring and acquisition costs, \$0.16 from share reclassification costs, and \$0.09 from ERC tax benefit
- FY'22 adjusted EPS includes \$0.22 restructuring and acquisition costs and \$0.14 from a gain on sale
- Growth reflects higher sales and operational improvements despite headwinds of \$0.22 from higher interest and other costs, excluding the \$6.6 million ERC tax benefit\*, and \$0.22 from one less selling week YoY



\* Represents a non-GAAP financial measure. See appendix for non-GAAP reconciliations. Individual amounts may not agree to the total due to rounding.

# MISSION CRITICAL GROWTH INITIATIVES WERE A PRIMARY CONTRIBUTOR TO ABOVE MARKET GROWTH

	 <b>Solidify Metalworking</b>	 <b>Leverage Portfolio Strengths</b>	 <b>Expand Solutions</b>		 <b>Grow E-commerce</b>	 <b>Diversify Customers &amp; End Markets</b>
<b>Metric</b> ▶	Metalworking Sales Growth	Class C Consumable Product Growth	Vending Installed Base Growth	Sales Through Customer In-Plant Locations	E-commerce Sales Growth	Public Sector Sales Growth
<b>3 Year CAGR</b> ▶	↑ ~9%	↑ ~9%	↑ ~10%	↑ ~35%	↑ ~9%	↑ ~7%

# GROWTH AND RETURNS ABOVE ORIGINAL MISSION CRITICAL TARGETS DRIVEN BY SUCCESSFUL EXECUTION



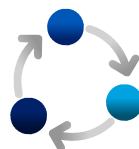
## Sales Growth

### Target

*Drive sales growth 400 basis points above the IP index*



**3-year CAGR  
570 bps Above IP  
Index**



## Return on Invested Capital

### Target

*Produce return on invested capital in the high-teens by FY'23*



**FY'23 Return on  
Invested Capital  
of 18.6%\***



## Adjusted Operating Expense\*

### Target

*Achieve \$100M in gross cost savings*  
*Reduce adjusted operating expenses\* as a percent of sales by 200 bps*



**Adj. Opex\* as % of  
Sales Down 220  
bps From FY'20**



# ...WITH THE NEXT CHAPTER OF MISSION CRITICAL EXPECTED TO GENERATE RESULTS ACROSS THE BUSINESS OVER THE CYCLE

## Extensive Digital Roadmap

### Maintaining Momentum

- Win in Metalworking
- Expand Share of Wallet Across Existing Customer Base
- Maximize Impact of Large Account Programs
- Drive Innovative Solutions
- Further Penetrate Attractive End Markets

### New Elements to Growth

- Reenergize Core Customers Through...
  - Improved E-commerce Experience
  - Enhance Pricing Model
  - Increased Personalization
- Execute on Cross-Selling Opportunities with a Focus on OEM Fasteners

### Optimizing Cost to Serve

- Improve Network Performance and Productivity
- Portfolio Optimization and Product Line Review Execution
- Streamline Order-to-Cash and Procure-to-Pay Value Streams
- Strategic Working Capital Management

## Performance Metrics Over the Cycle



At Least **400 bps** of Market Outgrowth



Incremental Margins\* of **~20%**

## Driving Achievable Long-Term Targets



Adjusted Operating Margin\* in the **Mid-Teens**

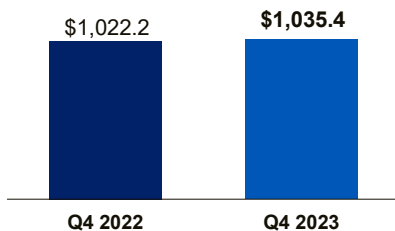


Greater Than **20%** ROIC\*



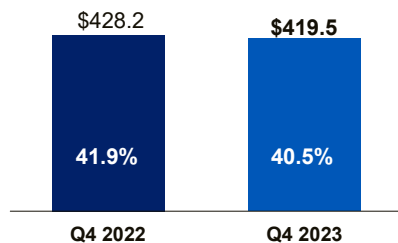
# FISCAL FOURTH QUARTER 2023 REPORTED AND ADJUSTED RESULTS

## Net Sales (millions)



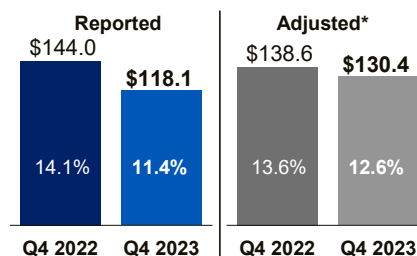
- Sales growth (ADS) of 9.3% driven by strong momentum in growth initiatives, price, and a slight benefit from acquisitions
- National Accounts up mid single digits, Public Sector up >60%
- Class C consumables product category up low-teens
- In-Plant sales up 13% and represents 13% of sales

## Gross Profit (millions and % of sales)



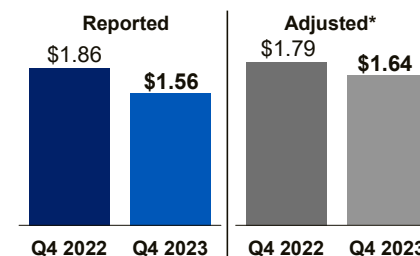
- Gross margin down 140 bps YoY
- 130 bps of YoY decline mainly driven by a Public Sector contract win and other customer mix
- Another 10 bps of dilution related to acquisitions
- Higher product costs working through the P&L offset by more modest pricing benefits, supplier, rebates and other cost of goods sold adjustments

## Operating Profit (millions and % of sales)



- Reported operating profit in Q4 2023 includes \$2.2 million in restructuring costs and \$10.1 million in share reclassification costs
- Reported operating profit in Q4 2022 includes \$10.1 million of gain on sale of property and \$4.8 million in restructuring and acquisition related costs
- Operating margin impacted by lower gross margins and one less selling week YoY, partially offset by improved expense leverage

## Earnings (per diluted share)



- Q4 2023 reported EPS includes \$0.03 from restructuring costs, \$0.14 from share reclassification costs, and \$0.09 from ERC tax benefit
- Q4 2022 reported EPS includes \$0.14 impact from gain on sale of property and \$0.07 impact from restructuring and acquisition related costs
- \$0.22 headwind from one less selling week YoY
- Higher interest and other expenses, excluding the \$6.6 million ERC tax benefit\*, represent an EPS headwind of \$0.04 YoY



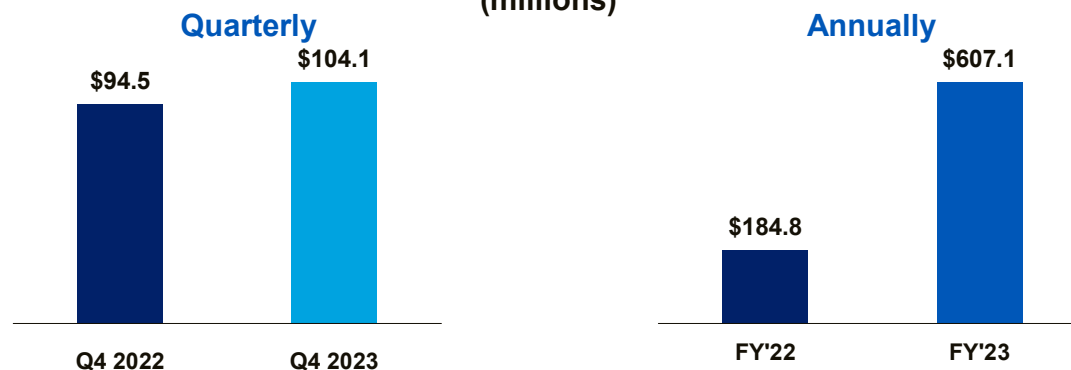
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# FISCAL FOURTH QUARTER AND FULL YEAR 2023 BALANCE SHEET AND CASH FLOW

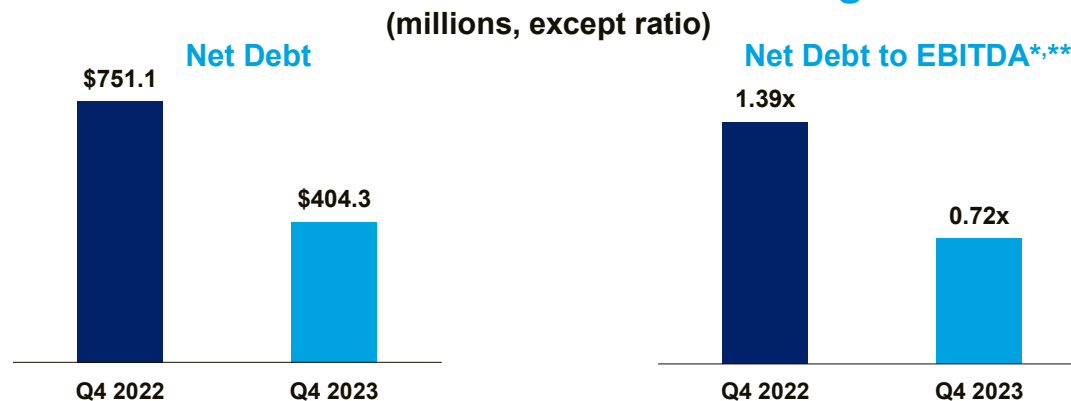
- Free cash flow\* improved 10% YoY to \$104M during the quarter primarily driven by working capital improvement
- FY'23 free cash flow\* improved ~230% YoY or approximately 66% excluding working capital benefits from securitization

- Net debt decreased \$347 million as a result of the paydown of our revolving debt with the proceeds from the accounts receivable securitization in fiscal 23 Q2
- Maintaining a healthy balance sheet with net debt to EBITDA currently at 0.72x\*,\*\*
- Target net debt to EBITDA ratio between 1.0x and 2.0x\*,\*\*

## Free Cash Flow\* (millions)



## Net Debt and Financial Leverage (millions, except ratio)

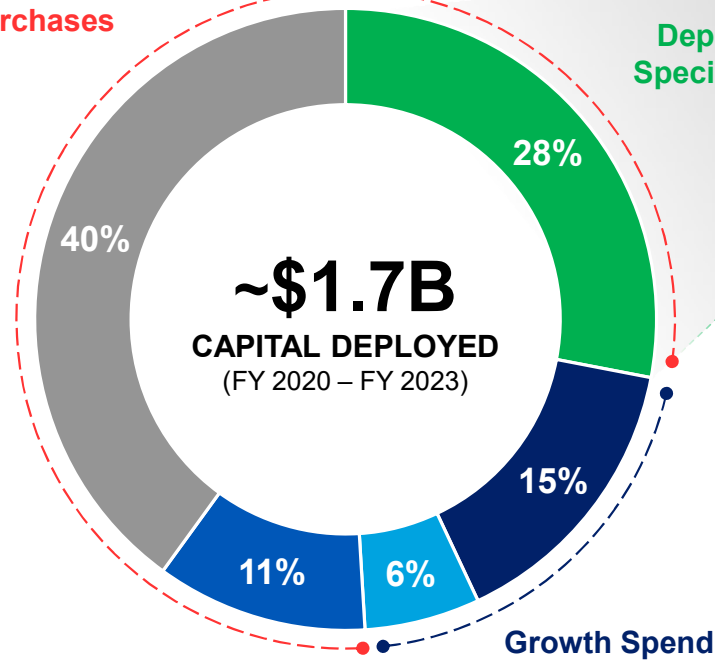


**MSC** • Represents a non-GAAP financial measure. See appendix for non-GAAP reconciliations.

\*\* The Company defines net debt to EBITDA as Interest-bearing debt less cash and cash equivalents (net debt) divided by net income plus other expense, depreciation and amortization, and income tax expense (EBITDA). 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.

# CLEAR CAPITAL ALLOCATION PRIORITIES

Dividends and Share Repurchases



## Long-Term Priorities

### Strategic Optionality

Significant capital allocation optionality after deprioritizing special dividends  
Potential uses include organic growth investments, strategic M&A, debt paydown, or further deployment to shareholders

### Capex

Ongoing investment to strengthen operations, digital capabilities, and service offerings

### M&A

Bolt-on acquisitions expected to continue with a focus on underserved regions, adjacent product categories, technologies, and high-growth end markets

### Share Repurchases

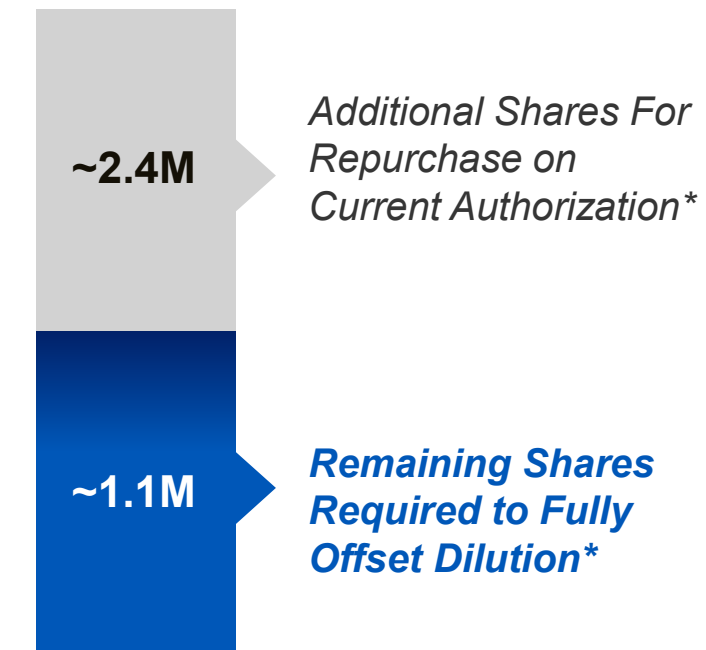
Repurchase activity expected to be elevated over the near-term to offset dilution from share reclassification  
Targeting to offset annual stock-based comp dilution

### Ordinary Dividend

Targeting modest annual increases in the ordinary dividend  
Recently declared a 5% increase in the regular quarterly dividend

**Disciplined Focus on ROIC and Value Creation**

# WELL POSITIONED TO PURSUE DISCIPLINED AND STRATEGIC CAPITAL ALLOCATION PRIORITIES AND NEAR-TERM REPURCHASES



- **3.5M\*** shares remain on current share repurchase authorization\*
- Reclassification agreement resulted in **dilution of ~1.9M shares** with **~1.1M\* shares currently needed to be repurchased** following:
  - **~645K** shares repurchased in **4Q'23**
  - And an additional **~205K\*** shares repurchased in **1Q'24**
- **Balance sheet strength** and **cash flow generation** strongly supports both **repurchasing efforts** and **capital allocation strategy**

# INITIAL FISCAL 2024 OUTLOOK AND ASSUMPTIONS

## ADS Growth (YoY)

0% - 5%

- ~160 bps headwind from non-repeating Public Sector small capital purchase sales
- Assumes more **normalized pricing benefits** YoY
- Assumes **market headwinds** from **UAW strike** to **alleviate in early 2Q'24** as well as **more modest industrial activity**
- Same number of selling days YoY

## Adjusted Operating Margin\*

12.0% - 12.8%

- Anticipate **price/cost** to be **more challenging in the first half**; partially offset by category line review savings
- **Gross margin mix benefit** related to non-repeating Public Sector small capital purchases of **~50 bps**

## Additional Guidance

- Depreciation and amortization expense of **\$85M-\$95M**
- Interest and Other expense of **\$40M-\$50M**
- Capex **\$120M-\$130M\*\*\***
- Operating cashflow conversion **> 125%\*\***
- Tax rate **25.0%-25.5%**

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\*\*\* Includes implementation costs for cloud computing arrangements

## SUMMARY

1

**Average daily sales growth of 9.3%** for 4Q'23 and 11.2% for FY'23 outpaced the Industrial Production index by ~900 bps and ~1,000 bps, respectively

2

**Reduced operating expenses** as a percentage of sales by 70 bps YoY in FY'23 and 90 bps on an adjusted\* basis including a reduction of 40 bps in 4Q'23

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**Reported and adjusted\* operating margin** down 270 bps and 100 bps, respectively YoY in 4Q'23 due to one less selling week YoY, mix, and higher cost inventories

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**GAAP and adjusted EPS\*** down YoY in 4Q'23 but up for the total fiscal year

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# APPENDIX

***MSC***



# RECONCILIATIONS

## 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 gain on sale of property (prior year), acquisition-related costs, share reclassification costs, employee retention credit ("ERC") tax benefit and 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.

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 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 fiscal quarters and years ended September 2, 2023 and September 3, 2022, respectively, is shown below.

# RECONCILIATIONS

## Non-GAAP Financial Measures

### ***Results Excluding Gain on Sale of Property (prior year), Acquisition-Related Costs, Share Reclassification Costs, Restructuring and Other Costs, and ERC tax benefit***

In calculating non-GAAP financial measures, we exclude gain on sale of property (prior year), acquisition-related costs, share reclassification costs, restructuring and other costs, ERC tax benefit, 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.

### ***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.

## RECONCILIATIONS

MSC INDUSTRIAL DIRECT CO., INC.  
 Reconciliation of GAAP and Non-GAAP Financial Information  
 Quarters and Years Ended September 2, 2023 and September 3, 2022  
 (dollars in thousands)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities Fiscal Quarters Ended		Expenditures for property, plant and equipment Fiscal Quarters Ended		Free cash flow Fiscal Quarters Ended	
September 2, 2023	September 3, 2022	September 2, 2023	September 3, 2022	September 2, 2023	September 3, 2022
\$132,505	\$110,881	\$(28,380)	\$(16,430)	\$104,125	\$94,451

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities Year Ended		Expenditures for property, plant and equipment Year Ended		Free cash flow Year Ended	
September 2, 2023	September 3, 2022	September 2, 2023	September 3, 2022	September 2, 2023	September 3, 2022
\$699,582	\$246,183	\$(92,493)	\$(61,373)	\$607,089	\$184,810

# RECONCILIATIONS

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Thirteen Weeks Ended September 2, 2023  
(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	Share Reclassification Costs	ERC Tax Benefit	Adjusted Total MSC Industrial
Net Sales	\$ 1,035,441	\$ —	\$ —	\$ —	\$ 1,035,441
Cost of Goods Sold	615,907	—	—	—	615,907
Gross Profit	419,534	—	—	—	419,534
Gross Margin	40.5 %	— %	— %	— %	40.5 %
Operating Expenses	299,264	—	10,139	—	289,125
Operating Exp as % of Sales	28.9 %	— %	(1.0)%	— %	27.9 %
Restructuring and Other Costs	2,215	2,215	—	—	—
Income from Operations	118,055	(2,215)	(10,139)	—	130,409
Operating Margin	11.4 %	0.2 %	1.0 %	— %	12.6 %
Total Other Expense	(2,333)	—	—	6,566	(8,899)
Income before provision for income taxes	115,722	(2,215)	(10,139)	6,566	121,510
Provision for income taxes	28,281	(523)	(2,394)	1,550	29,648
Net income	87,441	(1,692)	(7,745)	5,016	91,862
Net loss attributable to noncontrolling interest	(158)	—	—	—	(158)
Net income attributable to MSC Industrial	\$ 87,599	\$ (1,692)	\$ (7,745)	\$ 5,016	\$ 92,020
Net income per common share:					
Diluted	\$ 1.56	\$ (0.03)	\$ (0.14)	\$ 0.09	\$ 1.64

\*Individual amounts may not agree to the total due to rounding.

# RECONCILIATIONS

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Fiscal Year Ended September 2, 2023  
(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	ERC Tax Benefit	Adjusted Total MSC Industrial	
Net Sales	\$ 4,009,282	\$ —	\$ —	\$ —	\$ —	\$ 4,009,282	
Cost of Goods Sold	2,366,317	—	—	—	—	2,366,317	
Gross Profit	1,642,965	—	—	—	—	1,642,965	
Gross Margin	41.0 %	— %	— %	— %	— %	41.0 %	
Operating Expenses	1,151,295	—	398	12,388	—	1,138,509	
Operating Exp as % of Sales	28.7 %	— %	— %	(0.3)%	— %	28.4 %	
Restructuring and Other Costs	7,937	7,937	—	—	—	—	
Income from Operations	483,733	(7,937)	(398)	(12,388)	—	504,456	
Operating Margin	12.1 %	0.2 %	— %	0.3 %	— %	12.6 %	
Total Other Expense	(27,577)	—	—	—	6,566	(34,143)	
Income before provision for income taxes	456,156	(7,937)	(398)	(12,388)	6,566	470,313	
Provision for income taxes	113,049	(2,040)	(100)	(3,183)	1,687	116,685	
Net income	343,107	(5,897)	(298)	(9,205)	4,879	353,628	
Net loss attributable to noncontrolling interest	(126)	—	—	—	—	(126)	
Net income attributable to MSC Industrial	\$ 343,233	\$ (5,897)	\$ (298)	\$ (9,205)	\$ 4,879	\$ 353,754	
Net income per common share:							
Diluted	\$ 6.11	\$ (0.10)	\$ (0.01)	\$ (0.16)	\$ 0.09	\$ 6.29	

\*Individual amounts may not agree to the total due to rounding.



# RECONCILIATIONS

MSC INDUSTRIAL DIRECT CO., INC.  
 Reconciliation of GAAP and Non-GAAP Financial Information  
 Fourteen Weeks Ended September 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	Gain on Sale of Property	Acquisition-related Costs	Adjusted Total MSC Industrial
Net Sales	\$ 1,022,245	\$ —	\$ —	\$ —	\$ 1,022,245
Cost of Goods Sold	594,017	—	—	—	594,017
Gross Profit	428,228	—	—	—	428,228
Gross Margin	41.9 %	— %	— %	— %	41.9 %
Operating Expenses	290,262	—	—	665	289,597
Operating Exp as % of Sales	28.4 %	— %	— %	0.1 %	28.3 %
Restructuring and Other Costs	4,121	4,121	—	—	—
Gain on Sale of Property	(10,132)	—	\$ (10,132)	—	—
Income from Operations	143,977	(4,121)	10,132	(665)	138,631
Operating Margin	14.1 %	-0.4 %	1.0 %	-0.1 %	13.6 %
Total Other Expense	(6,252)	—	—	—	(6,252)
Income before provision for income taxes	137,725	(4,121)	10,132	(665)	132,379
Provision for income taxes	33,371	(1,080)	2,655	(174)	31,970
Net income	104,354	(3,041)	7,477	(491)	100,409
Net income attributable to noncontrolling interest	223	—	—	—	223
Net income attributable to MSC Industrial	\$ 104,131	\$ (3,041)	\$ 7,477	\$ (491)	\$ 100,186
Net income per common share:					
Diluted	\$ 1.86	\$ (0.06)	\$ 0.14	\$ (0.01)	\$ 1.79

\*Individual amounts may not agree to the total due to rounding.





# RECONCILIATIONS

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Fiscal Year Ended September 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	Gain on Sale of Property	Acquisition-related Costs	Adjusted Total MSC Industrial
Net Sales	\$ 3,691,893	\$ —	\$ —	\$ —	\$ 3,691,893
Cost of Goods Sold	2,133,645	—	—	—	2,133,645
Gross Profit	1,558,248	—	—	—	1,558,248
Gross Margin	42.2 %	— %	— %	— %	42.2 %
Operating Expenses	1,083,862	—	—	876	1,082,986
Operating Exp as % of Sales	29.4 %	— %	— %	0.0 %	29.3 %
Restructuring and Other Costs	15,805	15,805	—	—	—
Gain on Sale of Property	(10,132)	—	\$ (10,132)	—	—
Income from Operations	468,713	(15,805)	10,132	(876)	475,262
Operating Margin	12.7 %	-0.4 %	0.3 %	0.0 %	12.9 %
Total Other Expense	(17,581)	—	—	—	(17,581)
Income before provision for income taxes	451,132	(15,805)	10,132	(876)	457,681
Provision for income taxes	110,650	(4,016)	2,574	(223)	112,315
Net income	340,482	(11,789)	7,558	(653)	345,366
Net income attributable to noncontrolling interest	696	—	—	—	696
Net income attributable to MSC Industrial	\$ 339,786	\$ (11,789)	\$ 7,558	\$ (653)	\$ 344,670
Net income per common share:					
Diluted	\$ 6.06	\$ (0.21)	\$ 0.14	\$ (0.01)	\$ 6.15

\*Individual amounts may not agree to the total due to rounding.





# RECONCILIATIONS

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Years Ended September 2, 2023 and September 3, 2022  
(In thousands, except percentages)

	Fiscal Year Ended September 2, 2023	Fiscal Year Ended September 3, 2022
(a) Net income attributable to MSC Industrial (twelve-month trailing)	\$ 343,233	\$ 339,786
<b>NOPAT</b>		
Income from Operations (twelve-month trailing)	483,733	468,713
Effective tax rate	24.8 %	24.5 %
(b) Non-GAAP NOPAT	363,850	353,751
(c) Adjusted Non-GAAP NOPAT	379,531 <sup>1</sup>	358,664 <sup>2</sup>
<b>Invested Capital</b>		
Total MSC Industrial shareholders' equity	1,479,164	\$ 1,350,434
Current portion of debt including obligations under finance leases	229,935	325,680
Long-term debt including obligations under finance leases	224,391	468,912
Total Debt	454,326	794,592
Cash and cash equivalents	50,052	\$ 43,537
Net debt	404,274	751,055
Invested capital	1,883,438	2,101,489
(d) Average invested capital (thirteen-month trailing average)	1,951,818	1,999,142
(e) Adjusted average invested capital (thirteen-month trailing average)	1,953,516 <sup>1</sup>	1,999,810 <sup>2</sup>
(a)/(d) Net income to Average invested capital	17.6 %	17.0 %
(b)/(d) Non-GAAP ROIC	18.6 %	17.7 %
(c)/(e) Adjusted Non-GAAP ROIC	19.4 %	17.9 %

<sup>(1)</sup> 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.

<sup>(2)</sup> Adjusted Non-GAAP NOPAT and invested capital excludes \$15.8 million of restructuring and other costs, \$10.1 million gain on sale of property and \$0.9 million of acquisition-related charges, net of an associated tax benefit of \$1.7 million.

# RECONCILIATIONS

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Years Ended September 2, 2023 and September 3, 2022  
(In thousands)

	Fiscal Year Ended September 2, 2023	Fiscal Year Ended September 3, 2022
<b>Net Debt</b>		
Current portion of debt including obligations under finance leases	\$ 229,935	\$ 325,680
Long-term debt including obligations under finance leases	224,391	468,912
<b>Total Debt</b>	<u>454,326</u>	<u>794,592</u>
Cash and cash equivalents	50,052	43,537
<b>(a) Net debt</b>	<u>\$ 404,274</u>	<u>\$ 751,055</u>
<b>Net Income</b>		
Total Other Expense	27,577	17,581
Income tax expense	113,049	110,650
Depreciation and amortization	74,731	69,948
<b>(b) EBITDA</b>	<u>\$ 558,464</u>	<u>\$ 538,661</u>
<b>(a)/(b) Net Debt to EBITDA</b>	<u>0.72</u>	<u>1.39</u>

**THANK YOU**

***MSC***

