

## **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 incremental margin, non-GAAP provision for income taxes, non-GAAP net income and non-GAAP diluted earnings per share, that exclude acquisition-related costs, share reclassification proposal costs, 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 twenty-six-week periods ended March 4, 2023 and February 26, 2022, respectively, is shown below.

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

In calculating non-GAAP financial measures, we exclude acquisition-related costs, share reclassification proposal costs, 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 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.

### ***Incremental Operating Margin***

The Company defines Incremental Operating Margin as the change in year-over-year Income from Operations as a percentage of the change in year-over-year Net Sales and Adjusted Incremental Operating Margin as Incremental Operating Margin adjusted to exclude acquisition-related costs, share reclassification proposal costs and restructuring and other costs by excluding such items from Income from Operations. The Company's management believes that Incremental Operating Margin is useful because it shows the direction that operating profit margins are moving as a result of changes in net sales between periods, and that, by excluding the aforementioned items, Adjusted Incremental Operating Margin helps to more clearly show, on a comparable basis between periods, trends in the Company's underlying business and results of operations. The Company believes 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.

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Thirteen and Twenty-Six Weeks Ended March 4, 2023 and February 26, 2022  
(dollars in thousands)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities Thirteen Weeks Ended		Expenditures for property, plant and equipment Thirteen Weeks Ended		Free cash flow Thirteen Weeks Ended	
March 4, 2023	February 26, 2022	March 4, 2023	February 26, 2022	March 4, 2023	February 26, 2022
\$340,416	\$(383)	\$(15,067)	\$(15,917)	\$325,349	\$(16,300)

GAAP Measure		Items Affecting Comparability		Non-GAAP Measure	
Net cash provided by operating activities Twenty-Six Weeks Ended		Expenditures for property, plant and equipment Twenty-Six Weeks Ended		Free cash flow Twenty-Six Weeks Ended	
March 4, 2023	February 26, 2022	March 4, 2023	February 26, 2022	March 4, 2023	February 26, 2022
\$416,440	\$57,421	\$(40,571)	\$(31,179)	\$375,869	\$26,242

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	Total MSC Industrial	Restructuring and Other Costs	Acquisition-related Costs	Share Reclassification Proposal Costs
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 %	— %	— %	(0.1)%	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 %	— %	0.1 %	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)	\$ —	\$ (0.01)	\$ 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	Items Affecting Comparability			Non-GAAP
	Financial Measure				Financial Measure
	Total MSC Industrial	Restructuring and Other Costs	Acquisition-related Costs	Share Reclassification Proposal Costs	Adjusted Total MSC Industrial
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 %	— %	— %	— %	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 %	— %	— %	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  
Thirteen and Twenty-Six Weeks Ended February 26, 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		Adjusted Total MSC Industrial	
	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended
Net Sales	\$862,522	\$1,711,069	\$ —	\$ —	\$862,522	\$1,711,069
Cost of Goods Sold	496,247	992,198	—	—	496,247	992,198
Gross Profit	366,275	718,871	—	—	366,275	718,871
Gross Margin	42.5 %	42.0 %			42.5 %	42.0 %
Operating Expenses	265,973	522,554	—	—	265,973	522,554
Operating Exp as % of Sales	30.8 %	30.5 %			30.8 %	30.5 %
Restructuring and Other Costs	3,134	8,417	3,134	8,417	—	—
Income from Operations	97,168	187,900	(3,134)	(8,417)	100,302	196,317
Operating Margin	11.3 %	11.0 %	-0.4%	-0.5%	11.6 %	11.5 %
Total Other Expense	(3,505)	(7,627)	—	—	(3,505)	(7,627)
Income before provision for income taxes	93,663	180,273	(3,134)	(8,417)	96,797	188,690
Provision for income taxes	23,509	43,862	(787)	(2,178)	24,296	46,040
Net income	70,154	136,411	(2,347)	(6,239)	72,501	142,650
Net income attributable to noncontrolling interest	223	413	—	—	223	413
Net income attributable to MSC Industrial	<u>\$69,931</u>	<u>\$ 135,998</u>	<u>\$ (2,347)</u>	<u>\$ (6,239)</u>	<u>\$72,278</u>	<u>\$ 142,237</u>
Net income per common share:						
Diluted	<u>\$ 1.25</u>	<u>\$ 2.43</u>	<u>\$ (0.04)</u>	<u>\$ (0.11)</u>	<u>\$ 1.29</u>	<u>\$ 2.54</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 March 4, 2023  
(In thousands, except percentages)

	Twelve Months Ended March 4, 2023
(a) Net income attributable to MSC Industrial (twelve-month trailing)	\$ 364,242
<b>NOPAT</b>	
Income from Operations (twelve-month trailing)	511,105
Effective tax rate	24.8 %
(b) Non-GAAP NOPAT	384,312
(c) Adjusted Non-GAAP NOPAT	386,804 <sup>1</sup>
<b>Invested Capital</b>	
Total MSC Industrial shareholders' equity	\$ 1,420,934
Current portion of debt including obligations under finance leases	275,758
Long-term debt including obligations under finance leases	273,941
Total Debt	549,699
Cash and cash equivalents	49,615
Net debt	500,084
Invested capital	1,921,018
(d) Average invested capital (thirteen-month trailing average)	2,031,622
(e) Adjusted average invested capital (thirteen-month trailing average)	2,031,985 <sup>1</sup>
(a)/(d) Net income to Average invested capital	17.9 %
(b)/(d) Non-GAAP ROIC	18.9 %
(c)/(e) Adjusted Non-GAAP ROIC	19.0 %

<sup>(1)</sup> Adjusted Non-GAAP NOPAT and invested capital excludes \$11.3 million of restructuring and other costs, \$10.1 million gain on sale of property, \$1.3 million of acquisition-related charges and \$0.9 million of share reclassification proposal costs, net of an associated tax benefit of \$0.8 million.

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Thirteen Weeks Ended March 4, 2023 and February 26, 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	Acquisition- related Costs	Share Reclassification Proposal Costs	Adjusted Total MSC Industrial
Net Sales - thirteen weeks ended March 4, 2023	961,632	—	—	—	961,632
Net Sales - thirteen weeks ended February 26, 2022	862,522	—	—	—	862,522
Income from Operations - thirteen weeks ended March 4, 2023	114,282	(1,783)	(244)	(876)	117,185
Income from Operations - thirteen weeks ended February 26, 2022	97,168	(3,134)	—	—	100,302
Incremental Operating Margin - thirteen weeks ended March 4, 2023	17.3 %	(1.4)%	0.2 %	0.9 %	17.0 %

MSC INDUSTRIAL DIRECT CO., INC.  
Reconciliation of GAAP and Non-GAAP Financial Information  
Twenty-Six Weeks Ended March 4, 2023 and February 26, 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	Acquisition- related Costs	Share Reclassification Proposal Costs	Adjusted Total MSC Industrial
Net Sales - twenty-six weeks ended March 4, 2023	1,919,377	—	—	—	1,919,377
Net Sales - twenty-six weeks ended February 26, 2022	1,711,069	—	—	—	1,711,069
Income from Operations - twenty-six weeks ended March 4, 2023	230,292	(3,877)	(398)	(876)	235,443
Income from Operations - twenty-six weeks ended February 26, 2022	187,900	(8,417)	—	—	196,317
Incremental Operating Margin - twenty-six weeks ended March 4, 2023	20.4 %	(2.2)%	0.2 %	0.4 %	18.8 %