

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 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 restructuring and other costs, acquisition-related costs, share reclassification costs, and employee retention credit ("ERC") tax benefit (prior year) 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. A reconciliation of cash provided by operating activities to FCF, operating cash flow conversion and FCF conversion for the fiscal quarters and years ended August 31, 2024 and September 2, 2023, respectively, is shown below.

Results Excluding ERC Tax Benefit (prior year), Restructuring and Other Costs, Acquisition-Related Costs and Share Reclassification Costs

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

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. 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 and Years Ended August 31, 2024 and September 2, 2023
(dollars in thousands, except percentages)

	Fiscal Quarters Ended		Fiscal Years Ended	
	August 31, 2024	September 2, 2023	August 31, 2024	September 2, 2023
(a) Net cash provided by operating activities	\$ 107,263	\$ 132,505	\$ 410,696	\$ 699,582
(b) Expenditures for property, plant and equipment	\$ (26,052)	\$ (28,380)	\$ (99,406)	\$ (92,493)
(a-b) = (c) Free cash flow	\$ 81,211	\$ 104,125	\$ 311,290	\$ 607,089
(d) Net income	\$ 53,952	\$ 87,441	\$ 255,957	\$ 343,107
(a)/(d) Operating cash flow conversion	199 %	152 %	160 %	204 %
(c)/(d) Free cash flow conversion	151 %	119 %	122 %	177 %

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Fiscal Quarter Ended August 31, 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	Acquisition- related Costs	Adjusted Total MSC Industrial
Net Sales	\$ 952,284	\$ —	\$ —	\$ 952,284
Cost of Goods Sold	561,676	—	—	561,676
Gross Profit	390,608	—	—	390,608
Gross Margin	41.0 %	— %	— %	41.0 %
Operating Expenses	297,011	—	614	296,397
Operating Expenses as % of Sales	31.2 %	— %	(0.1)%	31.1 %
Restructuring and Other Costs	2,739	2,739	—	—
Income from Operations	90,858	(2,739)	(614)	94,211
Operating Margin	9.5 %	0.3 %	0.1 %	9.9 %
Total Other Expense	(14,718)	—	—	(14,718)
Income before provision for income taxes	76,140	(2,739)	(614)	79,493
Provision for income taxes	22,188	(797)	(179)	23,164
Net income	53,952	(1,942)	(435)	56,329
Net loss attributable to noncontrolling interest	(1,740)	—	—	(1,740)
Net income attributable to MSC Industrial	<u>\$ 55,692</u>	<u>\$ (1,942)</u>	<u>\$ (435)</u>	<u>\$ 58,069</u>
Net income per common share:				
Diluted	<u>\$ 0.99</u>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>	<u>\$ 1.03</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 Year Ended August 31, 2024
(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 Costs	Adjusted Total MSC Industrial
Net Sales	\$3,820,951	\$ —	\$ —	\$ —	\$3,820,951
Cost of Goods Sold	2,248,168	—	—	—	2,248,168
Gross Profit	1,572,783	—	—	—	1,572,783
Gross Margin	41.2 %	— %	— %	— %	41.2 %
Operating Expenses	1,167,870	—	1,079	1,187	1,165,604
Operating Expenses as % of Sales	30.6 %	— %	0.0 %	0.0 %	30.5 %
Restructuring and Other Costs	14,526	14,526	—	—	—
Income from Operations	390,387	(14,526)	(1,079)	(1,187)	407,179
Operating Margin	10.2 %	0.4 %	0.0 %	0.0 %	10.7 %
Total Other Expense	(47,638)	—	—	—	(47,638)
Income before provision for income taxes	342,749	(14,526)	(1,079)	(1,187)	359,541
Provision for income taxes	86,792	(3,577)	(266)	(293)	90,928
Net income	255,957	(10,949)	(813)	(894)	268,613
Net loss attributable to noncontrolling interest	(2,637)	—	—	—	(2,637)
Net income attributable to MSC Industrial	\$ 258,594	\$ (10,949)	\$ (813)	\$ (894)	\$ 271,250
Net income per common share:					
Diluted	\$ 4.58	\$ (0.19)	\$ (0.01)	\$ (0.02)	\$ 4.81

*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 September 2, 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	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 Expenses 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.

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	Items Affecting Comparability				Non-GAAP
	Financial Measure					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 Expenses as % of Sales	28.7 %	— %	0.0 %	(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 %	0.0 %	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 income 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						
Diluted	\$ 6.11	\$ (0.10)	\$ (0.01)	\$ (0.16)	\$ 0.09	\$ 6.29

*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 Years Ended August 31, 2024 and September 2, 2023
(In thousands, except percentages)

	Fiscal Year Ended August 31, 2024	Fiscal Year Ended September 2, 2023
(a) Net income attributable to MSC Industrial (twelve-month trailing)	\$ 258,594	\$ 343,233
NOPAT		
Income from Operations (twelve-month trailing)	390,387	483,733
Effective tax rate	25.3 %	24.8 %
(b) Non-GAAP NOPAT	291,532	363,850
(c) Adjusted Non-GAAP NOPAT	304,072 ¹	379,531 ²
Invested Capital		
Total MSC Industrial shareholders' equity	\$ 1,391,797	\$ 1,479,164
Current portion of debt including obligations under finance leases	229,911	229,935
Long-term debt including obligations under finance leases	278,853	224,391
Total Debt	508,764	454,326
Cash and cash equivalents	\$ 29,588	\$ 50,052
Net debt	479,176	404,274
Invested capital	1,870,973	1,883,438
(d) Average invested capital (thirteen-month trailing average)	1,883,503	1,951,818
(e) Adjusted average invested capital (thirteen-month trailing average)	1,900,259 ¹	1,953,516 ²
(a)/(d) Net income to Average invested capital	13.7 %	17.6 %
(b)/(d) Non-GAAP ROIC	15.5 %	18.6 %
(c)/(e) Adjusted Non-GAAP ROIC	16.0 %	19.4 %

¹ 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.

² 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.

MSC INDUSTRIAL DIRECT CO., INC.
Reconciliation of GAAP and Non-GAAP Financial Information
Fiscal Years Ended August 31, 2024 and September 2, 2023
(In thousands)

	Fiscal Year Ended August 31, 2024	Fiscal Year Ended September 2, 2023
Net Debt		
Current portion of debt including obligations under finance leases	\$ 229,911	\$ 229,935
Long-term debt including obligations under finance leases	278,853	224,391
Total debt	508,764	454,326
Cash and cash equivalents	29,588	50,052
(a) Net debt	\$ 479,176	\$ 404,274
Net Income	\$ 255,957	\$ 343,107
Total other expense	47,638	27,577
Income tax expense	86,792	113,049
Depreciation and amortization	80,522	74,731
(b) EBITDA	\$ 470,909	\$ 558,464
(a)/(b) Net Debt to EBITDA	1.02	0.72